RETAIL MANGEMENT

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SEMESTER – I

CC – III RETAIL MANAGEMENT

SUB.CODE:18PCO3

Objective: To develop knowledge of contemporary retail management issues at the strategic level and to describe and analyze the way retailing works, specifically the key activities and relationships.

UNIT – I

Retailing: Meaning – Characteristics and Functions – Retail Management – Marketing concepts applied to Retailing – Retailing as career –Trends in retailing.

UNIT – II

Retail Model and Theories of Structural Changes in Retailing: Classification of retailers and retail markets – Life cycle and phase in growth of retail markets – Methods of customer interaction.

UNIT – III

Retail Location Strategy: Importance of location decision – Types of location decision and its determining factors – Site selection analysis – Selection of shopping centre or market –Retail location theories – Location assessment procedures.

UNIT – IV

Retail in India: Evaluation and Size of retail in India – Drivers of retail change in India – Foreign Direct Investment in retail – Challenges to retail developments in India.

UNIT – V

Global Retail Market: Strategic planning process for global retailing – Challenges of global retailers – Challenges and threats in global retailing – Factors affecting the success of a global retailing strategy.

TEXT BOOK:

1. Retail Management – Chetan bajaj, Rahnish Tuli and Nidhi V. Srivastava – Oxford University Press, New Delhi.

REFERENCE BOOKS:

1. Modern Retail Management – Principles and Techniques, J.N. Jain and P.P. Singh, Regal Publications, New Delhi – 27.

2. Retailing Management – Text and Cases, Swapna Pradhan, Tata McGraw Hill, 2nd Edition 2004.

3. Retail Management, S.L.Gupta, Wisdom Publications, Delhi.

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UNIT-I

RETAILING

Meaning

The distribution of finished products begins with the producer and ends at the ultimate consumer. Between the two of them, there is a middle person—the retailer. Retailing is defined as a set of activities or steps used to sell a product or a service to consumers for their personal or family use. It is responsible for matching individual demands of the consumer with supplies of all the manufacturers. The word 'retail' is derived from the French word retailer, meaning 'to cut a piece of' or 'to break bulk'.

Retailing has become such an intrinsic part of our everyday lives that it is often taken for granted. The nations that have enjoyed the greatest economic and social progress have been those with a strong retail sector. Why has retailing become such a popular method of conducting business? The answer lies in the benefits that a vibrant retailing sector offers—an easy access to a variety of products, freedom of choice, and high levels of customer service.

A retailer is a person, agent, agency, company, or organization, which is instrumental in reaching the goods, merchandise, or services to the ultimate consumer. Retailers perform specific activities, such as anticipating customers' wants, developing assortments of products, acquiring market information, and financing.

A common perception is that retailing involves only the sale of products in stores. However, it also includes the sale of services such as those offered at a restaurant, parlour, or by car rental agencies. The selling need not necessarily take place through a store.

Retailing encompasses selling through the mail, the Internet, door- to-door visits—any channel that could be used to approach the consumer. When manufacturers like Dell Computers sell directly to the consumer, they too become retailers.

Definition

The word 'Retailer' had been derived from the French word 'Re-tailor' which means 'to-cut again'. Obviously then, retailing means to cut in small portions from large lumps of goods. A retailer is last middlemen in the chain of distribution of goods to consumers. He is a link between the wholesalers and the consumer.

The American Marketing Association defines retailing as “the activities involved in selling directly to the ultimate consumer for personal and non-business use. It embraces direct-to-customer sales activities of the producer, whether through his own stores or by house-to-house canvassing or by mail-order business. The retailer is an intermediary in the marketing channels and is a specialist who maintains contact with the consumer and the producer and is an important connecting link in the mechanism of marketing.

Characteristics of Retailers

1. A retailer is the link between a wholesaler and the ultimate consumer and he is the last intermediary in distribution.
2. A retailer buys goods from wholesaler in bulk and resells them to consumers in small quantities.
3. A retailer maintains a personal contact with his customers.
4. A retailer makes sufficient shop display of his wares to attract customers.
5. Retailers perform all the marketing functions which a wholesaler performs and in addition emphasizes on advertisement.
6. Retailers deal in a variety of merchandise and are often known as general merchants.
7. Usually retailers are classified into two major groups, viz., small scale retailers and large scale retailers.
8. Retailers aim at providing maximum satisfaction to their customers in limited area.
9. Direct interaction with customers/end customers.
10. Sale volume large in quantities but less in monetary value
11. Customer service plays a vital role
12. Sales promotions are offered at this point only
13. Retail outlets are more than any other form of business
14. Location and layout are critical factors in retail business.
15. It offers employment opportunity to all age

Functions of Retailers

(i) Buying

A retailer deals in a variety of merchandise and so he buys collects large number of goods his stocks from a variety of wholesalers. He selects the best from each store them and bears wholesaler and also pays the most economical price. He brings all the goods marketing risks, under one roof and then displays them in shop. Thus he performs the twin functions of buying and assembling of goods.

(ii) Storage

After assembling the goods, the retailer stores them in his godown so that they are held as reserve stocks for the future. Storage of goods in ready stock is also necessary.

(iii) Selling

The ultimate aim of every retailer is to sell the goods he buys. So he employs efficient methods of selling to dispose off his products at a faster rate so that he can increase his turnover in a period of time.

(iv) Risk-bearing

The retailer bears the risk of physical damage of goods and also that of price fluctuations. Moreover, risk of fire, theft, deterioration and spoilage of goods has also to be borne by him. Changes in fashions, tastes and demand of his customers also have an adverse effect on his sales; nevertheless a retailer does not lose heart. He bears all these trade risks which come in his way during the normal course of business.

(v) Grading and Packing

A retailer may have to perform the marketing functions of branding, grading and packaging when lie deals with ungraded goods received from producers.

(vi) Grant of Credit

Credit sales offer a lot of convenience to salaried and wage-earning people. A credit sale is a sales promotion device, for it encourages permanent and regular customers to deal with one retailer. People who "run an account" with the retailer go to one shop. For the sale of durable and costly goods to consumers, a hire-purchase or an installment sale facility is offered. In its absence, the sale of costly consumer durable goods may not be possible on a large scale. Many people buy goods on hire-purchase or HP.

(vii) Guide to Wholesaler or Producer

Manufacturers and wholesalers can secure first-hand information of the wants of consumers from retailers, because retailers have personal contacts with their consumers. They can guide manufacturers to produce those articles which are likely to be in great demand in the near future due to changes in the tastes and habits of consumers.

The retailer is the best source for the determination of the pulse of demand, e.g., changing consumer preferences and tastes, and changes in fashions. Marketing plans are based on probable consumer demand.

(viii) Last Outlet in the Chain of Distribution

In relation to producers and wholesalers, retailers act as the last outlet for the distribution of goods within the country. A retailer is the connecting link between the wholesaler and the consumers. Individual sales in small quantities are the responsibility of the retailer. In the absence of retailers, it would be impossible to distribute goods to ultimate consumers, and most of our wants will remain unsatisfied. In short, the entire trade will be paralyzed.

(ix) Advertising, Salesmanship and Sales Promotion

Manufactured goods are worthless unless they pass the acid test of retail distribution. The retailer must employ efficient methods of promotion, i.e., salesmanship, advertising and sales promotion. Nothing can be sold without the means of promotion or means of marketing communication.

RETAIL MANAGEMENT

Retail Management is the process which helps the customers to procure the desired merchandise form the retail stores for their personal use. It includes all the steps required to bring the customers into the store and fulfill their buying needs. Retail management saves time and ensures the customers easily locate their desired merchandise and return home satisfied. Fashion Retail Management gives insight into the principles of fashion marketing, retail buying and merchandising and imparts basic fabric knowledge - from fiber to fabric and fabric to garment. It gives an overview of the concept of visual merchandising and lays emphasis on customer relationship management, brand management and sales management.

RETAIL MARKETING

Retail is the sale of goods and services from businesses to an end user (called a customer). Retail marketing is the process by which retailers promote awareness and interest of their goods and services in an effort to generate sales from their consumers. There are many different approaches and strategies retailers can use to market their goods and services.

Retail marketing is the range of activities undertaken by a retailer to promote awareness and sales of the company's products. This is different from other types of marketing because of the components of the retail trade, such as selling finished goods in small quantities to the consumer or end user, usually from a fixed location. Retail marketing makes use of the common principles of the marketing mix, such as product, price, place and promotion. A study of retail marketing at university level includes effective merchandising strategies, shopping and consumer behavior, branding and advertising. Retail marketing is especially important to small retailers trying to compete against large chain stores.

RETAILING AS CAREER

Retail industry is one of the fastest evolving industries in Industry. The Indian retail industry is undergone drastic changes with the consumers looking at convenience with multiplicity of choices under one roof. It generates huge employment opportunities. This has changed the face of retailing in India. As the sector is booming in India, a career in retail sector is promising a growth potential for the ambitious youngsters.

The candidates are trained in supply chain management, finance management, marketing information, electronic retailing, marketing and business communication, customer relationship etc. With rapidly expanding departmental stores and huge shopping malls, plenty of job opportunities are opening all over India.

Career in retail sector can be developed as store manager, retail managers, retail buyers, retail designers, visual merchandisers, merchandise planning and product developers.

Some of the career options in retailing are

1. Sales and related jobs

Sales are the main aspect of retail industry. It is an important part of store operations. The important duty of the sales staff is to sell the products to the customers. Other than sales, the related job involves, sales associate, cashier for receiving payments by cash, check, debit card, or credit card and operating cash registers etc.,

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

2. Store manager

A store manager is the person ultimately responsible for the day- to-day operations or management of a retail store. All employees working in the store report to the store manager. Store manager is responsible for managing human resource, hiring team, indulging training and development programmes, managing profit and loss of the store, banking, and handling customer complaints.

3. Visual merchandiser

Visual merchandising is the activity of promoting the sale of goods. Visual merchandising is an art intended to increase sales. It is a tool to achieve sales target. It is the art of displaying merchandise in such a manner that appeals to the eyes of the customer. Visual merchandiser is responsible for merchandising. Creativity is essential to be a good visual merchandiser. Visual merchandising includes window displays, signs, interior displays etc. A combination of colour and theme plays an important role in visual merchandising.

4. Regional Sales Manager

A regional sales manager reports to national sales manager. A regional sales manager requires excellent interpersonal and communication skill. A Retail Sales Manager is responsible for the day-to-day operations of a retail store. They also must have computer skills and be patient with both employees and customers. Retail Sales Managers must be able to motivate and organize their employees. A retail sales manager must have obtained a degree in marketing, business or communication. Regional managers are responsible for a group of retail stores. They visit stores to observe performance and to help solve problems. Regional managers report store performance to company headquarters and make important decisions concerning employees.

5. Finance and Accounting

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

6. Human resources

Human resource is one of the most important aspects in retail industry. This aspect focus on recruiting right people for a particular job, because the success of retail depends upon right sales force. The HR function includes recruitment, selection, training and development programmes, compensation and benefits etc. proper knowledge is require on the part of HR manager to understand qualification and qualities to hire efficient staff. HR function is in dealing with staff grievances and any disciplinary matters.

7. Logistic

The logistics process consists of the process of integration of several aspects such as material handling, warehousing, information, transportation, packaging and inventory. The logistics department is entrusted with the responsibilities of ensuring that the entire process of logistics is maintained and developed in accordance with the goals of the business at an economical cost.

8. Marketing

Marketing .department includes functions like advertising, sales promotion and public relation. People with specialized knowledge, creativity etc are required. Advertising managers direct a firm's advertising and promotional campaign. Marketing managers work with advertising and promotion managers to promote the firm's products and services.

TRENDS IN RETAILING

Retail Marketing is largely based on three V's- Value, Volume and Variety. Though the Retail marketing had the quantitative development across the globe, the quality is no doubt being compromised with the Globalization. International quality products are competing with indigenized products. This variation in size, quality and competition has made Indian market face ridiculous growth. As the competition is between international and indigenized products, its taking a great toll on both the sectors. With the big giants entering the market, there is a grave competition in the Indian Economy. After 1995 the great companies like Food world, Reliance, Planet M, Music World and many others also entered the retail market. The visibility and the craze to remain in the forefront of business has made many of the giant companies to move from manufacturing to front line retailing. With this Retailing has become prominent giving world class shopping experience to the customers under one roof.

EMERGING TRENDS IN RETAILING

1.Van/Mobile Van Retailing This is a compromise between door to door selling and store selling. In this type of retail business, retailer keeps one day stock of his merchandise and goes to an area to serve its permanent customers. Sometimes retailers visit some areas which are totally new to them to attract new customers. The kind of products sold in Van retailing can range from everyday household products to different kinds of eatables. The various van goods include soaps, detergents, kitchen appliances, scrubbers, and several other cleaning products. There are some vans which designed to operate at extremely low temperatures. In these types of van customers will find all kinds of in frozen food such as vegetables, meat, dairy products, and ice. In the rural areas this kind of selling of goods still exists though it is not quite popular in metropolitan cities. In some states van retailing may be subject to regulations and entail licensing. State regulations determine the area that van sales can cover and the products that are allowed to be sold. Van retailing is usually found in remote/rural areas and is of two types

- **Static retailing** Under this sort of retailing, such vans are parked in public areas where customer traffic is usually high. The items sold under static retailing are snacks and junk food.
- **Raving retailing** It is where retailer takes his van to one house to another, selling merchandise to customers at their doorstep.

2.Conference/Party/Event Retailing In this sort of retailing, retailer invite people from nearby localities and after describing positive aspects of the merchandise, sells it. These types of get together/events are organized by the franchisor (retailer) belonging to a big organization. The products sold under such form of retailing vary from cosmetics from small household items that are of low cost.

In order to attract customers, retailer usually distributes sample merchandise or gives some demonstration regarding effective use of his items offered on sale. Event retailing usually takes place on national or regional level events such as Valentine Day, Mother’s Day, Father’s Day, Diwali, etc. Gold retailing on the day of ‘Akshaya Tritiya’ in most of the parts of the country is one of such example of event retailing.

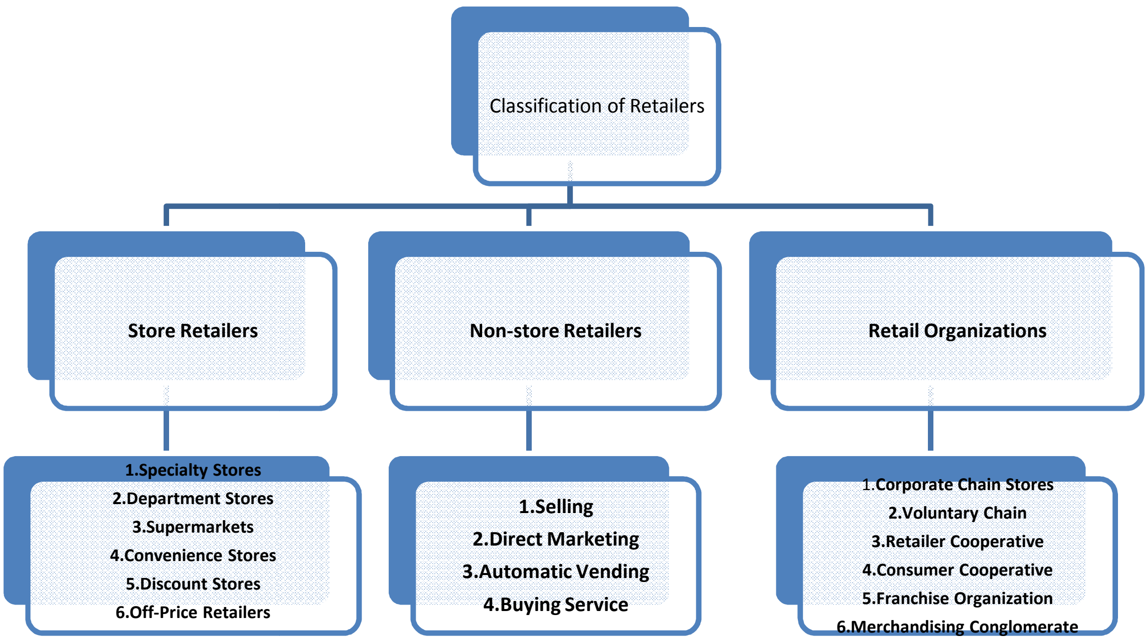
3.Distant Retailing As the very name suggests, under distant retailing, a customer place the order from a remote location by telephone, SMS, internet, pager etc, instead of visiting a store. Retailers who provide such home delivery facility may/may not have physical stores. The leading global retailers who follow such practice are Amazon, Wal-Mart, Arkay Hygiene. The main advantage of such sort of retiling is that any type of item can be supplied by the retailer on demand. The range of items offered depends on the customers' demand, and retailers' resources and the infrastructure of the concerned region.

4.Forecourt Retailing A new emerging concept in retailing is the establishments of stores in front of large buildings of high traffic areas. This concept caught public attention with oil companies trying to allow private companies to set up convenience stores at their fuel station outlets. The aggressive players in this area are HPCL, IOC, BPCL and Reliance.

5.Trade Parks Retailing through trade parks is a recent retail practice and is practiced only in metres and big cities. Under this concept, business complexes are being set up for promotion of retail trade especially the international trade. Some of the examples are India Exposition Mart set up by Handicraft Export Promotion Council in Greater Noida, International Home Deco Park (IHDP) set up by a group of private investors in Noida and World Trade Park coming up in Jaipur. IHDP plans to provide International buyers ready access to approximately sixty world class Indian exporters belonging to Home Furnishings segment.

UNIT-II

CLASSIFICATION OF RETAILERS



Store Retailers 8 categories

Specialty Stores Carry a narrow product line with a deep assortment within the line. Ex Athlete's Foot, Tall Men, The Limited.

1. **Department Stores** Carry several product lines. Ex Sears, J.C. Penney, Bloomingdale's.
2. **Supermarkets** Relatively large, low-cost, low-margin, high-volume, self-service operations designed to serve the consumer's total needs for food, laundry, & household maintenance products. Ex Kroger, Safeway, Food Lion.
3. **Convenience Stores** Relatively small stores located near residential areas, opened long hours seven days a week. Ex 7-eleven
4. **Discount Stores** Sell standard merchandise at lower prices by accepting lower margins & selling higher volumes. Ex Wal-Mart, H.E.B., Kmart.
5. **Off-Price Retailers** Buy at less than regular wholesale prices & charge consumers less than retail.

- **Factory outlets** Owned & operated by manufacturers & normally carry the manufacturer's surplus, discontinued or irregular goods. Ex Ralph Lauren, Liz Claiborne.
- **Independent off-price retailers** Owned & run either by entrepreneurs or by division of larger retail corporations. Ex TJX Cos.
- **Warehouse clubs** Sell a limited number of brand-name grocery items, appliances, clothing, etc. at deep discounts. Operate in huge, low-overhead, warehouse-like facilities. No credit cards. No deliveries. Ex Sam's Club.

6. **Superstores** 35,000 square feet selling space. Meets consumer's total needs. Ex Pet smart, Home Depot, Staples.
7. **Catalog Showrooms** Sell a broad selection of high-markup, fast-moving, brand-name goods at discount. Ex Service Merchandise.

Non-store Retailers 4 major categories

1. **Direct Selling** Oldest one. 3 types

- *One-to-one selling* A salesperson visits & tries to sell products to a single potential user. Ex Avon, Electrolux.
- *One-to-many* A salesperson goes to the house of a host who has some people in the house. Ex Tupperware.
- *Multilevel* A variant of direct selling in which companies recruit independent businesspeople who act as distributors for their products. These distributors in turn recruit & sell to sub-distributors, who eventually recruit others to sell their products, usually in customer homes. Ex Amway, NuSkin.

2. **Direct Marketing** Includes telemarketing, TV direct response marketing & electronic shopping. Ex 1-800-FLOWERS, Home Shopping Network.
3. **Automatic Vending** Vending machines offer 24 hour selling, self-service & unhandled merchandise. Ex COKE, Pepsi.
4. **Buying Service** A store less retailer serving specific clienteles- usually the employees of large organizations, such as schools, hospitals, unions, & government agencies. Ex United Buying Service

Retail Organizations

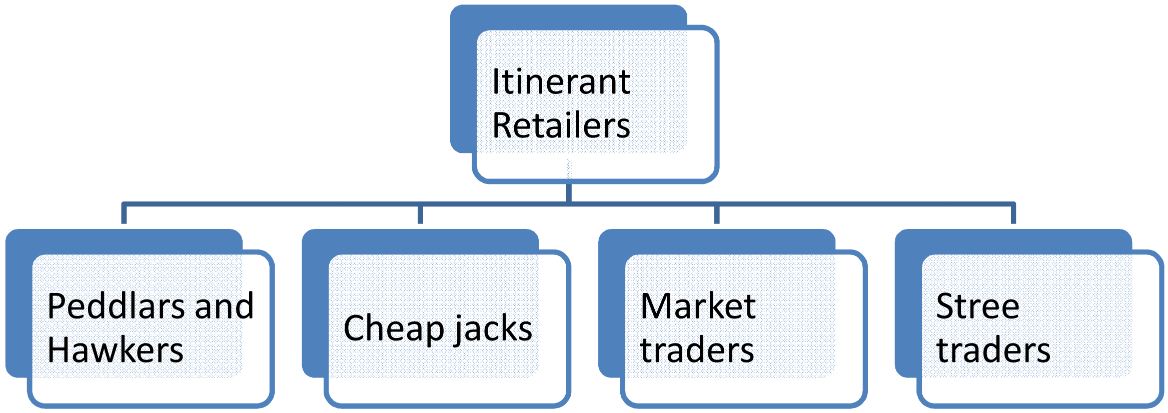
Achieve many economies of scale, such as greater purchasing power, wider brand recognition, & better trained employees. The major types of retail organizations are

1. **Corporate Chain Stores** Two or more outlets that are commonly owned & controlled, employ central buying & merchandising, & sell similar lines of merchandise. Their size allows them to buy in large quantities. Ex Tower Records, Pottery Barn.
2. **Voluntary Chain** Wholesaler-sponsored group of independent retailers engaged in bulk buying & common merchandising. Ex Independent Grocers Alliance.
3. **Retailer Cooperative** Independent retailers who set up a central buying organization & conduct joint promotion efforts. Ex Associated Grocers, ACE.
4. **Consumer Cooperative** A retail firm owned by its customers. Started by community residents. Ex local consumer cooperatives.
5. **Franchise Organization** Contractual association between a franchiser & franchisees. Normally based on some unique product, service or method of doing business. Prominent in fast foods, video stores, health/fitness centers, auto rentals. Ex McDonald's, Pizza Hut, Taco Bell, Burger King.
6. **Merchandising Conglomerate** A free-form corporation that combines several diversified retailing lines & forms under central ownership , along with some integration of their distribution-&-management function Ex F.W. Woolworth, Kids Mart.

Types of Retailers

1. Itinerant Retailers

Itinerant means travelling from place to place, itinerant retailers have no fixed place of business. They move from place to place for selling their goods to the consumers. They sell in small quantities. They invest a very small amount of capital. They deal in varieties of goods. Itinerant retailers may be



a. Peddlers and Hawkers

Peddlers are those retailers who carry goods in hand cart to sell them at the doors of consumers. To hawk means to sell goods in the streets or by knocking on people's doors. A hawker means someone who hawks goods. Generally, hawkers carry goods on their heads. They persuade people to accept goods which may be of low quality. So, the price charged by hawkers is lower than the market price. They move from place to place with limited stock.

b. Cheap jacks

Cheap jacks are different from hawkers and peddlers. They have an independent shop. But, the shop is not a permanent one. If business at one place is not profitable, cheap jacks will choose some other location. So, they frequently change their place of business in search of 'greener pastures'. Cheap jacks know the art of selling and are well versed with all trick of the trade.

c. Market traders

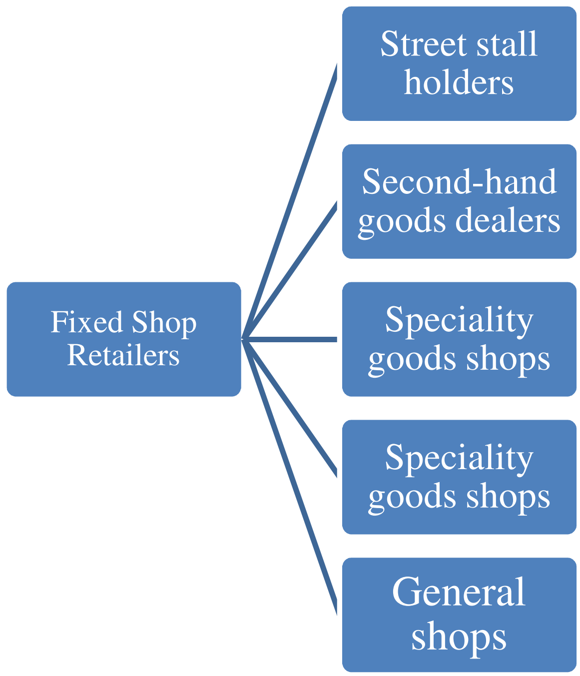
Market traders, as the name itself implies, open their shops on market days. Market days vary from place to place, being conducted on weekly or monthly basis. Market traders perform business only when the market is open. They open their shop at different places, on different days whenever the market is open. For example, 'Sunday market' in Pondicherry is very popular among shoppers.

d. Street traders

As the name itself suggest street trader carry on their business in busy streets. Aiming at the floating population, they choose bus stops, railway station, government and commercial offices and educational institution to do business. They deal in one kind of goods at a time that is in high demand.

II. Fixed Shop Retailers

Fixed shop retailers have a permanent place of business. They include



1. Street stall holders

Street stall holders put up their stalls where there is heavy pedestrian movement. Having selected a location with utmost care, they retain that place of business. It becomes a permanent place of business for them. They get their suppliers form wholesalers and suppliers operating in their area. The street stall holders deal in varieties of goods like pen, torch light, nail cutters, time pieces,socks,belts, locks , small tools,etc they display the goods in such a way that they attract the attention of customers. They also decorate their shops to some extent.

2. Second- hand goods dealers

These retailers sell second hand goods such as books, furniture ,television sets, radios, cloth etc. Customers who cannot afford to buy new goods at market price buy second hand goods at cheaper prices . Second goods dealers do not give any guarantee for the goods they sell. Moore market in Chennai is quite famous for buying second- hand goods.

3. Speciality shops

Speciality shops deal in a particular variety of goods .they sell only one line of goods – books, leather goods, toys, watches, electronic goods, furniture, kitchen articles, etc. Customers while buying from speciality shops enjoy a wide choice of goods.

4. General shops

General shops sell goods that are required for day- to- day use. General shops deal in a wide assortment of goods such as gift articles, biscuits, plastics, foot wear, flasks, soaps, oil,etc. General shops employ sales persons who are well trained in selling. They are located where people find shopping convenient. Customers buy from general shops for their monthly requirements. Sometimes, they are given credit facility and free home delivery too.

III.**Small scale Retailers**

Small size retail shops include

a. Independent stores

Independent stores are non- integrated retail establishments. They are smallIn size and have Lesser degree of specialization in their management. They enjoy flexibility of operation and freedom of action. The owner of the shop makes his own decisions on buying, selling, pricing, working hours, sales promotion, terms of sales, etc. Such small scale Retailers obtain their supplies from wholesalers. Small scale retailers are known for their liberal credit policy, door service sand serving the individual needs.

b. Automatic vending

Sale through vending machines has become the order of the day in advanced countries. Vending machines automatically vend a particular variety of merchandise. They operate without the presence of sales persons. These are coin-Operated machines. When the buyer inserts the required coin, the merchandise is automatically pushed out. In railway stations, for example platform tickets are sold through vending machines. It is also called robot retailing. Generally, merchandise of uniform size and low unit value are suitable for automatic vending.

c. Discount houses

Now- a-days, discount houses are increasingly becoming important. Discount houses deal with a large section of general merchandise. These retail shops offer large discounts to customers on certain types of merchandise. Goods like jewellery, household appliances, furniture which carry a higher margin are offered at discounted prices. Discount houses do not give importance to customer services.

d.Syndicate stores

Syndicate stores are the extended forms of chain and mail order houses. They operate on a small scale. They do not deal in national brands of merchandise. The merchandise they sell are their own. Generally, the brands are not known by customers. Syndicate stores unbranded goods and resell them under their own brand names. Sometimes, in addition to their own brands, they sell other branded products.

IV. Large scale retailers

The large shops which operate on large scale include

A. Departmental stores

Departmental stores are of French origin. Departmental stores came into existence in 19th century. Department stores are large scale retail stores selling under one roof under a single control. They deal in a variety of goods. They are divided into different departments, each selling particular merchandise.

Definition

" A department store is a collection of shops under one roof and ownership, each shop or department specialising in selling a special range of goods"- G.B.Giles

Characteristics/ features

- A departmental store is a large retailing unit
- A department store deals in a wide merchandise line. All goods are available under one roof
- It is divided into various departments, each dealing in a special range of goods
- A department store is centrally located
- The store is a horizontal integrated institution
- All the departments have centralised control on advertising, sales promotion, accounting, credit, employment, etc.

Advantages

(i) Centralised Location – People living in different areas of the city can easily reach there for shopping.

(ii) Convenience in Buying – All goods are available in different sections under one roof.

(iii) Attractive Services – Services like reading room, free home delivery, restaurant, library, saloons etc. are available.

(iv) Economies of Large Scale – Benefits of large scale operations in respect of purchase of goods are available to them.

(v) Heavy Expenditure on Sales Promotion – Due to sound financial position, they can afford to spend liberally on promotion.

Limitations

(i) Lack of Personal Attention – Employees are appointed on fixed salary. This leads to lack of initiative and personal touch on the part of employees.

(ii) High Operating Cost – Due to expenses on advertising, window display and showroom, it makes the goods highly expensive.

(iii) Inconvenient Location – They are situated far away from residential areas. These lose demand of articles required at short notice by customers.

(iv) High Possibility of Loss – Due to heavy operating costs and large scale operations, there is a possibility of loss.

(b) Multiple Shops / Chain Stores

These are retail shops owned and controlled by a single big organisation. Most of them are also the manufacturers. They are located in different parts of the cities throughout the country. They deal in similar products at uniform prices.

Examples– (i) Bata, (ii) McDonald, (iii) Big Apple, (iv) Reebok, (v) Reliance Fresh, and (vi) Adidas.

Features of Chain Stores/Multiple Shops

(i) These are located in fairly populous localities, where sufficient number of customers can be approached.

(ii) All the branches are controlled by the head office which is concerned with formulating the policies and getting them implemented.

(iii) Manufacturing and procurement of goods is centralised at the head office.

(iv) Sales are decentralised.

(v) All sales are strictly made on cash basis.

(vi) Multiple shops have identical display, decoration, layout plans etc.

Advantages

(i) Economies of Large Scale – They enjoy the advantages of large scale operations specially in purchase and production of goods since a large volume of goods are bought and sold on multiple shops.

(ii) Standardised Products – The goods are of high quality. The buyers are assured of its quality.

(iii) No Bad Debts – Goods are sold on cash basis only, so there is no risk of bad debts.

(iv) Transfer of Goods and Spreading of Risk – Products, which are not in demand in a particular shop, can be shifted to another shop. Thus, risk of staleness is minimised. Total business risk is diffused. The profits at one store can provide a cover to the loss at another store at a different location.

(v) Elimination of Middlemen – By selling goods directly to the customers, the multiple shops are able to eliminate middlemen.

(vi) Lower Cost – It is because of centralised manufacturing and purchasing, elimination of middlemen, centralised advertising etc., that shops have low cost of business operation.

(vii) Flexibility – The management has an option to close down loss making stores and shift them to another place.

Limitations

(i) Limited Variety of Goods – The range of variety is limited and each store keeps stocks of goods manufactured and distributed by its owners only.

(ii) Lack of Services – Free home delivery and credit facility is not available to customers.

(iii) Lack of Initiative – The managers have no freedom of making purchases and fixing prices of the goods. Thus, there is lack of initiative on their part to use their creative skills to satisfy customers.

(iv) Large Capital Investment and Heavy Overheads – These shops require huge capital investment. They spend heavily on shop rent, decoration, administration and supervision.

(v) Chances of Fraud – Strict supervision and control is not possible because there are many branches; so there are chances of fraud.

Mail Order Houses

These are retail outlets that sell their goods through mail. There is generally no direct contact between the buyers and the sellers in this type of trading.

Trading Procedure

Step 1 – Advertisements to provide information about the products

Potential customers are approached through advertisements in newspapers or magazines for obtaining orders. Circulars, catalogues etc. are sent to them by post. All the relevant information about the products such as price, features, delivery terms etc. are provided in these advertisements.

Step 2 – Order receiving and processing of goods

On receiving the orders, goods are carefully scrutinised with respect to special captions asked by the customers. Then the goods are sent to the customers through- (a) the post office by VPP, or (b) the banks

Step 3 – Receiving payments

There are different alternatives for receiving payments from the customers.

(a) The customers are asked to make full payment in advance before goods are sent by post.

(b) The customers may be asked to deposit the full payment in a bank and collect the goods from the bank. There is no risk of bad debt.

(c) Goods are sent by V.P.P. On receiving the parcel the customer has to pay the amount to the postman.

Suitability

This trading is suitable when

(a) Goods are well identified and well known by brand name and are of standardised quality.

(b) There is a popular demand by the customers scattered over wide areas.

(c) Products do not require any demonstrations.

(d) Goods are durable and do not get spoiled in transit.

For example — stationery items, small appliances, medicines, books, cosmetics, toilet goods, readymade jewellery, footwear, watches and other branded products.

Unsuitability

This trading is not suitable if-

(a) Goods are perishable, e.g., – milk, fruits etc.

(b) Goods are bulky, e.g., – televisions, refrigerators etc.

(c) Customers are illiterate.

Advantages

(i) Small Investment – Mail order house trading does not require infrastructural facilities like big showrooms.

(ii) No Bad Debts – Mail order business trading does not extend credit facilities to the customers. Thus, there is no chance of bad debts.

(iii) Wide Reach – This type of trading business is very much suitable where prospective customers are scattered over a wide area and goods can be sent to all places where postal services exist.

(iv) Direct Contact – Unnecessary middlemen between the buyers and sellers are eliminated. This helps in lots of savings.

(v) Convenience – Goods are delivered at the doorstep of the customers. Much time and effort of customers is saved by this method. It is very convenient.

Limitations

(i) Lack of Personal Touch – The buyer does not get an opportunity to inspect and try the goods before purchasing them. Sellers cannot pay personal attention to the likes and dislikes of the customers.

(ii) High Promotional Cost – Traders have to spend a lot of money on advertisement to inform the potential buyers about the product.

(iii) No after Sales Services – There is absence of after sale service which is important for customer satisfaction.

(iv) No Credit Facilities – The customer has to pay the price at the time of delivery of goods. Sometimes it is to be paid in advance. So credit facilities are not available.

(v) Delayed Delivery – There may be a delay in delivery because of the time taken in correspondence, in procuring of goods and in sending them by post to the customers.

(vi) Possibility of Abuse – Dishonest traders may cheat the customers by making false claims about quality of the products and not honouring the commitments made through advertisements.

Automatic Vending Machine

An automatic vending machine sells merchandise when a customer deposits sufficient money into its slot or vent to purchase the desired items. It contains products like beverages, snacks, candies, chocolates, platform tickets etc.

Examples

(a) Mother Dairy sells milk through vending machines.

(b) ATM (Automated Teller Machine) can be used to withdraw money at any time without visiting any branch of a bank.

(c) Metro token can be purchased through these machines at Metro stations.

Advantages

(i) It is useful for selling pre-packed brands of low value products having high turnover, e.g., hot beverages, soft drinks etc.

(ii) These can sell the goods round the clock.

(iii) These provide quick service to the customers.

(iv) These encourage the habit of 'self-help' in the customers.

Limitations

(i) Customers cannot inspect the goods before buying.

(ii) Initial installation costs, repair and maintenance is quite high.

(iii)Special packs are to be developed suitably for the machines.

(iv) Care has to be taken for regular restocking, replacing the stock of the machine regularly.

Types of Retailers – Classified on the Basis of Products or Services, Number of Outlets, Variety of Product Sold, Level of Service, Size of Shop, Location & a Few Others

Retailers can be classified based on different criteria such as

1. Products or Services
2. Number of Outlets
3. Variety of Product Sold
4. Number of Product Lines Carried
5. Level of Service
6. Pricing Strategy
7. Size of Shop (Physical area)
8. Location

9. Method of Operation

10. Ownership

11. Cluster/Location of Facilities

We will discuss few important categories

1. By Products or Services

This is the simplest basis for classification of the retailers. Retailers of goods deal with the tangible products. For example, grocery shops, supermarkets, general shops, chemists, ready-made garment shops etc. Services retailers deal with intangible goods, i.e., services. For example, banks, consultants, doctors, tailoring shops, beauty parlours, crèche, garages, maintenance services, transport, etc. As service industry is growing, services retailing has vast scope in the future.

2. By Ownership

A retailer may be a part of a chain, manufactured- owned, franchise, or he can be an independent retailer.

(a) Independent Retailer

Independent Retailer is the owner of one or multiple stores. It is owned by a single proprietor, two or more partners or a family. Retailer is not the part of any chain or of the large retail organizations. Most of the small retailers in India fall under this category. For example, any general store, grocery shop, corner shops, which may have one or more outlets run by the independent retailer.

For example, Chitale Bandhu Mithaiwale — the renowned sweets store in Pune operates through two exclusive outlets owned by the manufacturer. As well as, recently it has given franchising rights to many retailers from different parts of Pune city.

(b) Chain Store

Chain Store is a part of a group of retail stores owned and operated by a single corporate organization. Chain store can be the part of a corporate or voluntary, cooperative organization. For example, Kamath Restaurant is managed by a single owner but has many outlets in the cities such as Mumbai, Pune, Goa, Hyderabad, etc. Apna Bazaar has the chain of co-operative stores having many outlets in Mumbai. Nalli, a renowned Chennai based silk emporium has opened the outlets in Mumbai.

(c) Manufacturer Owned Outlet/Company Showroom/Factory Outlet

Manufacturer or a company undertakes the retailing activity. These outlets are owned and managed by the manufacturer. There can be one or more number of such outlets. This form is largely observed in branded garments, shoes, and food retailers. Even the small manufacturers offer their products in their own outlets such as bakery, dairy, etc.

For example, branded products like Bata, Nike, Bombay Dying, Sony World, etc. are sold through the exclusive showrooms or factory outlets. These products are also sold by other independent retailers.

(d) Franchise Outlet

Manufacturer gives franchise (authority) to a number of independent retailers. But they are not the owners in the real sense. All independent retailers (franchisees) are bound to follow certain rules and regulations laid by the manufacturer (franchiser). For example, McDonald's, Benetons, Pantaloon, Raymond's Park Avenue, Dr. Batra's Clinic, VLCC, Aptech Computer Education Institute, etc.

3. By Number of Outlets/Branches

Retailer can operate through a single shop or it can be a part of a chain having multiple outlets. For example, banks are the service retailers; they operate through the number of branches spread over the wide geographical area. The retail outlets run by the small independent retailer such as kirana store, bakery, garages, etc. may have only one outlet. Big retailers under single ownership may open multiple branches in different locations.

4. By Variety of Product Sold

The retail shops can be classified based on variety of products offered. According to this criterion, retail outlet can be a Department Store or a Specialty Store or a Variety Store.

(a) Department Store

It is a large retail outlet having different departments or sections for different types of products. It offers a wide variety of general products. Representative merchandises/ samples are displayed in the separate areas, which give idea about the merchandise sold in that particular section.

For example, The Department Store selling Garments has different departments such as kids' wear section, ladies' wear and men's wear. Or the department stores offering only kids' wear may have different sections for different age groups. Shoppers' Stop has many sections such as jewelry, cosmetics and perfumes, garments, in ladies garments — Indian wear and Western wear, etc.

(b) Specialty Store

Such type of retail shop offers only specific category of the product. Specialty retailer deals with limited or even a single product line and focuses more on the depth of the product line carried out by him. For example, Retailers selling Furniture, Paints, Gift Articles, Greeting Cards, Dairy Products, Shoes, Paint, Petrol Pump, Flowers, etc. Pure Vegetarian Restaurants, Chinese Restaurants, Tea Stalls, Bakery. Consultants or the experts who deal in specific area such as Surgeons, Interior Decorators, Insurance Agents, etc.

(c) Variety Store

It offers a wide variety of the general merchandise. It focuses more on variety, i.e., width of product mix and less on depth of the product line. Variety stores offer fewer product lines compared to that of the department store but still they can strongly compete with department stores by offering more variety at the lesser prices. Such stores are preferred by the customers looking out for shopping ‘everything under one roof.’

These customers do not want to visit multiple shops for their different requirements. They are aware about the limited variety available in each category but still they prefer to shop there due to the convenience and time saving.

For example, Warehouse Club offers a variety of product lines but limited range within each product line (depth) and more discount.

5. By Number of Product Lines Carried

Retailers can be classified on the basis of number of products lines dealt with. Retailer can sell a single line of products or he deals with limited lines or multiple product lines.

Retail stores can be

(a) General Merchandise Stores

(b) Limited Line Stores

(c) Single Line Stores

For example, General store or a typical grocery shop offers many products, i.e., it deals with multiple product lines. Department Store and Variety Stores are the examples of multiple lines. The dairy shop sells only dairy products or the furniture shop offers variety in only furniture, i.e., they deal with single product line but in the great depth. Specialty Store is an example of single line.

Some retailers offer limited product lines and focus more on depth, e.g., Sports Mart can offer sports shoes, sportswear, sports equipments, nutritious food and heath drinks, health consultancy advice, etc. Generally specialty stores carry limited product lines and products sold are related and supplementary in nature. Specialty Stores, Catalogue Showrooms, and Supermarkets are examples of limited lines.

6. By Level of Service

Retailers may offer full spectrum of services or they can extend limited services to the customers. However, level of service is largely influenced by the factors such as types of products sold, types of customers, store size, etc.

(a) Self Service Store

Customers who want to carry out locate-compare-select process at their own prefer shopping in self-service retail stores. They want to enjoy their shopping and hence they want no or least interference and disturbance in their purchase from the store people. This method is suitable when the stores offer the large variety of convenience and consumer goods. Customers can move around in the shop, have a look on the variety available, and then select the right product for themselves.

This arrangement can save stores space and cost of sales staff. Layout of the store must be designed carefully if it is a self-service store. In case of the large outlets offering thousands of items and a wide variety in each product category, it is advisable to provide sales assistance in locating the required product line. Otherwise, the exhaustive search for the required products may frustrate the customers and they may walk out without buying anything.

In such situations, self-selection retail shops are more suitable compared to the self-service shops. In self-selection retail shops, sales staff assists the customers only in locating the right products or they help in purchase only if asked by the customers. For example, Food world operates through self- service store. Customers can pick the grocery items, households, and food products kept on the racks, shelves and counters.

(b) Limited Service Retailers

They perform a few functions of the retailer. They provide more information, assist customers in their purchase. They also provide credit facility if necessary. They have more operating costs than the self-service and self- selection retail stores.

(c) Full Service

Retailers provide a full spectrum of services to their customers. Retailers assist in every phase of purchase. The services include many activities right from the customer enters the shop to after sales services. Other services include (free) home delivery, wrapping or gift packing, stitching, altering, financial assistance, free trials, demonstration, valet parking, lockers facility, trial/changing rooms, baby seating arrangement, funny games, rides for the kids coming with the customers, etc.

They help customers in Locate-Compare- Select process. In short full service retailers discharge all the functions of the retailer. For example, in a few large garment stores, personal shopping assistance is provided to the customer, i.e., sales staff or experts in the shop first speak with the customers, understand their needs, psychology, nature and budget.

Then they recommend the right product for the customers, which save shopping efforts and time. Due to this, customers are satisfied and they carry favourable image about the store as they get the personal attention and right product.

7. By Pricing Strategy

Retailers follow different pricing strategy. They change their strategies considering factors like level of competition, environmental factors, profit objectives, positioning strategies, etc. In practice, many retailers use mixed price techniques.

(a) Discount Stores

These retailers are different from the shops offering occasional discounts and schemes for a limited period. They regularly sell the products at the lower prices. They buy at regular prices from the wholesalers. But they work on lower margins and they sell in bulk quantities.

Hence they can sell standard product at lower prices. Many people have wrong impression about the discount stores that the quality of products sold is inferior hence the price is less. Today discount retailing has entered into specialized goods such as bookstores, consumer durable goods. For example, Wal-Mart and K Mart are the largest and popular discount stores in USA.

(b) Off-Price Shops

Unlike discount stores, off-price retailers buy in bulk. They generally buy directly from the manufacturers and hence can avail the bulk quantity discount. They too work on a low margin compared to other retailers. Hence they can offer the merchandise at the low prices. Products sold through these shops are of high quality but generally they are outdated (out of fashion), odd lots, leftovers, discontinued, export surplus or export rejected and irregular goods.

There are three major types of off-price retailers – (i) Factory Outlet or a Company Showroom (ii) Independent Retail Shop (iii) Warehouse Clubs or Wholesale Club. The clothing and footwear companies commonly use this form of retailing. They dispose off such odd lots through their own stores, i.e., factory outlets. For example, Nike, Reebok, Athlete sell their regular and odd products through their own outlets.

c.Fixed-Price Shops

They are also known as one-price shops. Generally they sell with gift articles, convenient goods, cosmetics, etc. The products are from low to medium price range. These shops offer the products with fixed prices. They fix some price range that even sounds attractive to the customers. The products are arranged and kept together in the racks according to their prices.

Each product has a price tag. Customers can select from the variety available in the price range affordable to him. It reduces their shopping time and efforts as they are available in their budget. There is no need of assistance from sales staff as there is less room for ambiguity.

8. By Size of Shop

Retailers can be classified on the basis of size of store i.e. physical area of store. Size varies from small corner shops to the large hypermarkets. Decision on size of the store is influenced by many factors — mainly by types of product sold and cost of store space. However, different nations follow different norms on ‘size’, i.e., the larger retail shop in one country may not be considered as larger shop in other country.

Considering Indian scenario, we can classify retail shops as

a. Small Shops

Corner Shops (typically Indian pan-bidi shops), General Stores, Specialty Stores, One-price Shops, Street Stalls, Exhibition Stalls, Hawkers and Peddlers, Small Stall Holders, etc. For example, Grocery Shops, Fruit and Vegetable Stalls, Ice Cream Parlours, Tea Stalls, Automobile Repairing and Servicing Centers, Barber Shops, Beauty Parlours, Gymnasiums, etc.

b. Large Shops

Department Stores, Supermarkets, Hypermarkets, Mega Marts, Chain Stores, Consumer Cooperative Stores, Catalogue Showrooms, Exclusive Showrooms, Mail Order Houses, etc.

9. By Location

Retailing activities can be carried out at a fixed location in the shops. However, mobile retailers, hawkers or peddlers do not have a fixed location for the retailing activities.

a. Fixed Shop Retailers

All types and sizes of retail outlets having fixed store place. Fixed location retailers can open the shop in urban areas, in suburbs, in shopping centers or big malls or as a freestanding store that stands alone and unattached to other retailers. For example, General Stores, Department Stores, Chain Stores, Supermarket, Discount Shops, etc. All retailers of different sizes, formats, and categories having a fixed place for their operations are Fixed Shop Retailers.

b.Mobile or Itinerant Retailers

They do not have any fixed location for their retailing activities. For example, Hawkers and Peddlers, Street Vendors, Stalls in Exhibition or Fairs, etc.

10. Method of Operation

Conventional retailing concept was restricted to store retailing, i.e., the brick and mortar structure. It was assumed that retailing requires some physical store, either fixed or mobile place. However, other methods of operation such as non-store retailing also exist. Today, it has become the important basis for classification of retailers.

a. Store Retailers

All the retailers of different sizes, categories but performing their operations in the physical store are the Store Retailers.

b. Non-Store Retailers

They do not require physical stores for retailing activities. Some non-store retailing methods are quite old. Various new forms are emerging continuously. Non- store retailing has becoming more popular today. Certain methods of non-store retailing are widely accepted by the customers due to their convenience. Non-store retailing is gaining more attention as it eliminates the cost of a store. There is no need of maintaining a large sales force.

Some non-store retailing methods are given below

(i) Direct Selling /Multi Level Marketing (MLM)

(ii) Online Retailing/Web Retailing/Retailing

(iii) Telemarketing – Telemarketing is a form of direct marketing. Information about the products/services is given and orders are booked over a telephone. There are some complaints about this method and several constraints for selling through this method.

(iv) Teleshopping / Television Home Shopping – In India the companies like Asian Sky Shop, Tele Shopping Network, Jaipan, Kawatchi Group, etc. use private cable Television channels for advertising their products.

(v) Direct Mail Marketing and Catalogue Marketing – Retailers need not have any office or outlet for selling the goods. They send the catalogues to the potential customers and book the orders. Retailers forward these orders to the manufacturers. This method is not much used in India, and still restricted to some standard industrial products and a few branded consumer goods.

(vi) Automatic Vending Machines – There is no human interface in selling the products. Small products are dispensed through the coin-operated machines. For example, ATM, PCO Coin Boxes, etc.

11. By Location of Facilities or a Cluster

Retailers can be classified based on the location of their facilities. Retail store can be a freestanding store that stands alone and unattached to other retailers or it can be a part of the cluster.

a. Freestanding Stores

The stores those stand alone and unattached to other retailers. They are not in the shopping complex and not a part of the cluster. They may be located in the residential areas. They are situated at the scattered individual locations.

b. Fixed Location Stores

Retail Store can be one of the outlets in the shopping mall, shopping arcade, shopping complex, and shopping centers, where many other different retailers are located. These stores are part of the neighbourhood cluster where other retailers are located. They are located in a planned shopping center, which is an integrated unit of different types of stores to satisfy customers' needs.

For example, HUB is one of the largest shopping malls in Mumbai. It has many large retail outlets such as multiplex, McDonald's, Subway, Food mall, etc.

(c) Temporary Stores

In the exhibition, fairs or shopping festivals, many shops/stalls are temporarily set up for a limited period. Many small retailers have their stalls in the general fairs or specialized fairs. For example, a retailer can have a food stall in the shopping festivals, trade fairs and industrial exhibitions, which are general fairs and wide variety of products are sold by different types of retail shops. As well as he can have his food stall in the food festivals, which is a specialized fair and many food retailers will have their shops.

Types of Retailers – Classified on the Basis of Ownership and Strategy

The decade of the 20005 will witness many dramatic changes in retailing. Many of these changes will affect the types and classifications of existing retail institutions. These institutions are generally based on some type of classification system that mirrors the retailer's business operations.

For example, a retailer that specialises in getting the consumer a product or service in the most convenient way possible could be classified as a convenience retailer. Think of how many different retailers you know that specialise in convenience products. You have probably thought of 7-Eleven, Stop-and-Go, or perhaps even Sheets or Loaf-and-jug. What would you call retailers that specialise in the sale of food products?

If you say “supermarkets,” you are correct. There is some overlap among the types of retailers that exist and also some differences in the way they are classified. For example, a convenience store and a supermarket may both be classified as food retailers.

It is important to understand the types of retail institutions because they have a competitive impact on business. With this knowledge, managers are better prepared to develop comprehensive competitive analyses for use in their retail businesses. Retail professionals must strive to stay current with the numerous changes in their environments that may affect their businesses as well as their professional lives. Remember the Wal-Mart neighbourhood market concept.

1. Retailers Classified on the Basis of Ownership

One of the first decisions that the retailer has to make as a business owner is how the company should be structured. This decision is likely to have long-term implications, so it is important to consult with an accountant and attorney to help one select preferred ownership structure.

In making the choice, the following aspects need to be considered

(i) Retailer’s vision regarding the size and nature of his business.

(ii) The level of control he wishes to have.

(iii) The level of ‘structure’ they are willing to deal with.

(iv) The business’s vulnerability to lawsuits.

(v) Tax implications of the different ownership structures.

(vi) Expected profit (or loss) of the business.

(vii) Whether or not one is required to re-invest earnings in the business.

(viii) Retailer’s need for access to cash from the business for personal use.

We now take an overview of the some basic legal forms of ownership for retailers

(i) Sole Proprietorships

The vast majority of small businesses start out as sole proprietorships. These firms are owned by one person, usually the individual who has the day-to-day responsibility for running the business. In this case, the retailer owns all the assets of the business and the profits generated by it. He also assumes complete responsibility for any of its liabilities or debts. In the eyes of the law and the public, the retailer is one and the same with the business.

(ii) Partnerships

A partnership is a common format in India for carrying out business activities (particularly trading) on a small or medium scale. A business unit is generally carried out through a partnership. There is no restriction on a company's participation in a partnership, but this is rare in practice. In a partnership, two or more people share ownership of a single business. As in case of proprietorships, the law does not distinguish between the business and its owners in partnership.

The partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out or what steps will be taken to dissolve the partnership when needed.

It is hard to think about a 'break-up' when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. They must also decide up-front how much time and capital each partner will contribute, etc.

(iii) Joint Venture

A joint venture is not well defined in the law. Unless incorporated or established as a firm as evidenced by a deed, joint ventures may be taxed like association of persons, sometimes at maximum marginal rates. It acts like a general partnership, but is clearly for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognised as an ongoing partnership, and will have to file as such and distribute accumulated partnership assets upon dissolution of the entity.

(a) Taxable Income – The taxable income of a venture is determined in the same manner as in a company. Interest and remuneration payable to the ventures are treated as profit participation and added back in arriving at the venture's taxable income.

(b) Taxation of a Foreign Venturer – A foreign venturer is taxed in the same manner as an Indian venturer, subject to the higher tax rate in the case of a non-resident corporate venturer.

(iv) Limited Liability Company (LLC)

The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. Formation is more complex and formal than that of a general partnership. The owners are members, and the duration of the LLC is usually determined when the organization papers are filed.

The time limit can be continued if desired by a vote of the members at the time of expiration. LLC's must not have more than two of the four characteristics that define corporations – limited liability to the extent of assets; continuity of life; centralisation of management; and free transferability of ownership interests.

(v) Independents

An Independent retailer operates only one retail establishment – The majority of these stores are owner or family managed. The case of entry into this type of retailing makes the independent retail store attractive to those with few capital resources. Although independent retailers make up 80 percent of all retailers, their sales represent only 40 percent of retail sales.

Independent retailers have the advantage of being able to respond quickly to their customers' needs and wants. In addition, the owners of independent retail operations usually have many community contacts and are active in local chambers of commerce. They rely on these connections to generate business within the community. Because many independents are located in neighbourhoods and rural locations, rental expenses tend to be less than for stores located in major shopping districts.

Due to the smaller size and location, independent retailers have greater opportunities than other types of retailers to build customer relationships. A downside to being an independent retailer is the inability to capitalise on economies of scale; therefore, the independent's prices are usually higher than those of larger corporate chain stores.

Another disadvantage is a lower level of expertise among personnel. Because independents are traditionally smaller than corporate chains, they have a smaller personnel base. They have fewer resources for hiring and training, qualified experts in each of the functional retail areas — IMC, buying, management, and accounting.

(vi) Chains

Corporate chain stores operate multiple (more than one) retail stores. Although the majority of chain operations are small, the bulk of sales in retailing come from the larger chain stores such as Wal-Mart, Sears, and Home Depot. Many chain stores are divisions of larger companies. Intimate Brands Company, for example, owns a number of chain stores, including Victoria's Secret and Bath & Body Works. J.C. Penney Corporation owns 1,049 domestic and international C. Penney department stores in the United States, Puerto Rico, and Mexico; 54 Renner department stores in Brazil; and the Eckerd chain of more than 2,600 drugstores in the United States."

The biggest advantage of operating a chain store is the ability to reduce costs through economies of scale. By purchasing in large quantities, the big chains can purchase products at reduced costs, thereby gaining the ability to pass on the lower costs to their customers. The large-volume purchases also allow these retailers to negotiate with suppliers for a lower per- product cost.

In addition to lower costs for purchases, the large chains generally use computerised systems for inventory control, ordering, and theft control. By reducing the costs associated with these functions, the chains can, once again, pass the savings on to their customers in the form of lower product and service prices.

Due to their size, chains have the advantage of using information technology more efficiently than smaller retailers. Many large chains, such as Office Depot and Target, can monitor instantly what is currently selling and what remains in inventory. Technology also allows chains to link directly with suppliers and have merchandise shipped when it falls below a given level.

Finally, chains are able to hire and train the "best and brightest" minds in the retail business and have specialists for each functional area within the business. For example, chains can have specialists assigned to the buying function as well as the selling function. Chain store operations also have some disadvantages. The biggest drawback is the cost associated with running a large operation.

As the chain's size increases, so do its financial commitments. Furthermore, many chain operations are slower to respond to environmental problems due to bureaucracies typical in larger businesses. Another disadvantage is the difficulty in tailoring the product assortment to different geographic areas. To take advantage of economies of scale, chains often purchase the same products for all their stores.

Independents and chain operations come with unique sets of advantages and disadvantages. The disadvantages, when understood, can be minimised or eliminated by good management, however.

(vii) Franchises

A franchise is a contractual agreement between a franchisor and a franchises. This agreement allows the franchises to operate a retail establishment using the name and (usually) the franchisor's operating methods. Simply stated a franchisor is the owner of a franchise and can be a wholesaler, manufacturer, or service provider. McDonald's, for example, is a franchisor.

McDonald's creates contracts with individual owners of restaurants and allows the owners to use the McDonald's name. The franchises is the owner of the restaurant who has a contract with McDonald's to operate the establishment under the McDonald's name and (usually) follow McDonald's operating practices.

Depending on the contract, the franchises pays the franchisor a fee plus royalties, typically based on sales, for the right to own and Operate the business in a particular location (generally geographical). In return, the franchisor offers the franchises expert assistance in site selection, building requirements, IMC, employee or managerial training, and advice or requirements for product or service offerings.

The franchises receives all profits from the operation of the retail business after paying the royalty and thus is motivated to try to increase sales as much as possible. Because franchisors have more expertise in their areas and have greater resources, they generally design the systems for the operation of the franchised business.

In a franchise program, the parties gain from the increased size-of the organization and are able to share resources while dividing costs associated with running a retail operation. In comparison to other types of retailers franchisors' networks grow rapidly with few capital and managerial resources, while franchisees gain 'instant' expertise as well as a large market presence.

During the past two decades, franchising has been split among product, business, and trademark franchising. In product franchising, the franchisee agrees to sell the franchisor's products and services. In business franchising, the franchises follows¯ the McDonald's model, wherein a lot of interaction goes on between frarichisor and franchises.

The franchisor provides all assistance necessary to carry out the business functions (advertising, training, site selection, accounting, planning, and other executions) while at the same time listening to the needs and wants of its franchise holders. In trademark franchising, the franchises acquires the franchisor's identity and utilises the trademarks developed by the franchisor.

The transportation industry, in particular the automobile industry, exemplifies both product and trademark franchising. General Motors allows its dealers to sell certain products (usually divisional, such as Chevrolets or Pontiacs) and to use its trademark while selling these products. The main advantage of franchising to franchisees is that each owner (franchisee) can own and operate his or her own business with a smaller capital outlay than would be possible without joining the franchise team.

In addition, franchising breaks down a barrier to entry into the retail market by allowing the franchises to sell established brand names and products. Franchisees can also achieve economies of scale through their association with a larger, more powerful buying group, thereby bringing down their cost per unit.

Finally, the franchises gets specialised training in the functional areas of retail operations, such as advertising (IMC), retail information systems (RIS), inventory control procedures, employee/managerial development and training ;and the right to exclusivity in selling the national or regional product or service.

(viii) Leased Departments

Another form of retail ownership is the leased department. A leased department consists of space in a larger retail store (such as J.C. Penney) that is rented to an outside vendor. The retail business that leases the space runs that area as if it were a small business within the larger business unit. It is generally responsible for all retail functions (in many cases including the fixtures of the leased area). In addition, the lessee pays rent for the space. Examples of leased departments often include jewellery and shoe departments in large department stores.

Because many larger stores lack the expertise for a given product line-for example, jewellery — they get the advantage of greater expertise within the store. The stores are also assured of having a product that their customers need or want. The lessee has the advantage of established customers and customer traffic for their products and services. In addition, many costs can be reduced for the lessee, such as security and parking.

(ix) Cooperatives

There are three major types of cooperative store arrangements (also called co-ops) retail-sponsored cooperatives, wholesale-sponsored cooperatives, and consumer cooperatives. To overcome many of the disadvantages associated with being a smaller, independent retailer, some retailers band together to create a retail-sponsored cooperative, an organization that allows centralised buying and overcomes other problems involved in running a small retail operation.

Through centralised buying, member retailers can take advantage of the price savings that accompany large purchases from vendors. In addition, retailers can improve their operating efficiency by sharing methods developed by the cooperative organization. An example of a retail-sponsored cooperative is Carpet One, a national cooperative of independent floor retailers.

A wholesale-sponsored cooperative is developed, owned, and run by a group of wholesalers. The wholesaler groups generally offer integrated retail programs to smaller, independent retailers. The wholesalers may offer the independents services such as warehousing and transportation. In addition, members receive additional services (many fee based) such as site selection, store displays, and other merchandising methods. An example of a wholesale- sponsored cooperative is Blooming Prairie (www(dot)bpcoop(dot)com), which has been distributing natural foods throughout the Midwest since 1974.

In a consumer cooperative, the consumers themselves own and operate the retail establishment. Generally, consumer cooperatives come about because members believe they can offer products and services at a lower price than traditional retailers. Often these consumers believe there is a need in the marketplace traditional retailers are not serving.

It may be, for example, that a group of consumers believe a traditional retailer isn't being environmentally friendly and in response join forces and form a co-op more responsive to environmental concerns. In the banking industry, consumer cooperatives have emerged in response to a perceived lack of sensitivity to the consumer by traditional banks. These cooperatives are known as credit unions.

Suppose you and your classmates have been discussing the high cost of textbooks. You decide that you can offer textbooks cheaper than the traditional publishing houses, so you go into business. Your first job is to create a company and look for substantial company investment. Next, you elect company officers and establish the amount of time each "employee" needs to devote to running the business. You need managers and personnel to sell and buy the products (textbooks).

In addition, you need an accountant and perhaps some retail and marketing professionals. Finally, you may want to hire a lawyer to make sure you are compliant with all laws and regulations involved in running your business. You need to find an acceptable site and negotiate rates for rent or purchase.

In the end, you and your investors will share the profits you have earned through the development of this cooperative. You may discover that it takes a lot of time, effort, and money to sell textbooks through a cooperative and that they may not be as overpriced as you previously thought.

2. Classification by Strategy

Retail stores are often classified by the types of strategies they employ in selling their goods and services.

This section is divided into two major strategic categories

1. General merchandise retailers and
2. Food retailers.

1. General Merchandise Retailers

General merchandise retailers are involved, obviously, in the sale of general, nonfood merchandise. Almost any nonfood item falls into this category. This article discusses the major types of general merchandise retailers. According to the U.S. Census Bureau, general merchandise sales in the United States were over $450 billion for the year 2002, making general merchandise retailing a powerful retail institution.

(i) Department Stores

Department stores are large retailers that carry a wide breadth and depth of products. In addition, they offer more customer service than their general merchandise competitors. Department stores are so named because they are organized by departments — such as juniors, men's wear, or lingerie.

Each department acts as a ‘ministore.’ The department is allocated sales space and managers and sales personnel that pay particular attention to their departments. , Often departments are responsible for their own IMC, which is coupled with the store’s overall IMC executions.

Department stores often are the anchors of major shopping centres. Macy’s, Nordstrom, Bloomingdale’s, Saks Fifth Avenue, J.C. Penney, and Dillard’s are some of the larger department stores. Most, but not all, department stores are parts of a large chain.

Department stores have a perceptual advantage because they use IMC more than most other types of retailers. Department stores utilize newspapers, magazines, radio, television, and direct mail to deliver their marketing communications. Due to overstoring, most of the promotional budgets are geared to sale advertising. Couponing, historically used by grocery stores, has been used to generate sales. Unfortunately, the use of coupons diminishes profits and creates a situation where consumers do not buy unless they receive some type of discount.

In recent years, department store sales have slowed because of the appearance of specially retailers and full-line discount stores such as Target, Kmart, and Wal-Mart. Strategies for success in department store retailing include expanded customer service, sales training for sales personnel, exciting IMC (especially at point of sale), and the elimination of nonproductive, slow-selling products.

A movement is under way in department store retailing to generate more research in the area of consumer information to be used to create better customer relations. In addition, department stores have moved toward greater centralisation in their buying and IMC areas. A key to successful retailing in department stores is the use of store brand names to develop customer loyalty.

In an attempt to retain and attract new customers, department stores are being more innovative. For example, Macy’s invested $100 million to make over 42 of its stores. The renovations included shopping carts, bright signage, customer price-scanner stations, and lounges. Saks Inc. partnered with Smith & Hawken to set up garden boutiques in 243 stores, and Sears, Roebuck and Co. brought Lands’ End clothing into its stores and changed its electronics department to include high-end items.

(ii) Discount Stores

Full-line discount stores can also fall under the U.S. Census Bureau definition of a department store. The difference between a department store and a full-line discount store lies in the service and merchandise areas. Discount stores generally offer limited customer services but have merchandise priced below that of department stores. In addition, the products sold at some discount stores tend to be less fashionable than similar merchandise carried at larger department stores. Wal-Mart, Target, and Kmart are the world's largest discount retailers.

The main strategy employed by the discounter is to develop an image of high-volume, low-cost products. Since strong national discount retail chains began in the 1960s, they have taken a large share of the market away from traditional retailers. This trend continues. Discount retailers' sales climbed from $2 billion in 1960 to over $300 billion in 2001. Wal-Mart is the nation's leading discounter with 2001 annual sales of $220 billion, followed by Target ($39 billion) and Kmart ($37 billion). The 2002 sales numbers were $280 billion for Wal-Mart, $ 40 billion for Target, and $36 billion for Kmart.

A key factor spurring the growth of discount retailers is value consciousness. This change began in recessionary periods but has cut across all economic climates and income levels. The rise in discount retailers has been due in part to the attention they have paid to their core competencies, such as low prices and a wide selection of products.

Many customers no longer see any added value in paying higher prices at traditional department stores. The department stores have lost their differentiation of quality customer service. Thus, discount retailers have captured a significant share of the overall general merchandise market.

(iii) Specialty Stores

Specialty stores carry a limited number of products within one or a few lines of goods and services. They are so named because they specialise in one type of product, such as apparel and complementary merchandise. Specialty stores utilize a market segmentation strategy rather than a typical mass marketing strategy when trying to attract customers. They tend to create a market niche for their product assortments. Although they do not carry a large number of product lines (width), they offer many products within each line (depth).

Specialty retailers tend to specialize in apparel, shoes, books, toys, auto supplies, jewellery, and sporting goods.

Customers frequent specially stores because of the extensive assortments and personal service provided. For example, the Great American Spice Co. boasts 3,200 items including Ashwagandha root powder and Kittens' Big Banana hot sauce. The online store has over 25,000 recipes. Specialty stores' staff tends to be more knowledgeable about the products sold.

In addition, specialty stores often offer a more physically comfortable shopping atmosphere. The larger specially stores include Borders Books, Toys "R" Us, Gap, Circuit City, Office Depot, and Best Buy. Smaller specially stores include GNC (vitamins and other food supplements), Hallmark, The Body Shop, and The Rocky Mountain Chocolate Factory.

In recent years, specially stores have seen the emergence of the category killer. Category Killers (sometimes called power retailers or category specialists) are generally discount specially stores that offer a deep assortment of merchandise in a particular category (books, toys, shoes, sports items, etc.). Blockbuster Video, for example, offers a large selection of DVDs and VHS tapes at a relatively low price.

Other examples include Babies "R" Us and Toys 'R' Us. Some shoppers do not want a 'huge' store atmosphere. Therefore, many category killers have created additional retail venues that carry some of the same merchandise but are downsized to give the customer a smaller, more intimate store. Home Depot, for example, has created a number of smaller stores (called Villager Hardware) to satisfy those customers who prefer the smaller store format.

(iv) Off-Price Retailers

Off-price retailers resemble discount retailers in that they sell brand-name merchandise at everyday low prices (EDLP). Off- price retailers rarely offer many services to customers. The key strategy of off-price retailers is to carry the same type of merchandise as traditional department stores but offer prices that can be 40 to 50 percent lower.

To be able to offer lower prices, off-price retailers develop special relationships with their suppliers for large quantities of merchandise. Inventory turnover is the key to a successful off-price retailing business. Because of this, the buying strategy developed and executed by off-price retailers is very aggressive.

In addition to purchasing closeouts and cancelled orders, off-price retailers negotiate with manufacturers to discount orders for merchandise that is out of season or to prepay for items to be manufactured, thus reducing the buying prices of those items. Because off-price retailers do not ask the manufacturers for additional services such as return privileges, advertising allowances, or delayed payments, they are often able to get reduced prices for the merchandise they purchase.

There are many types of off-price retailers, including outlet stores. Manufacturers, department stores, or even specially store chains can own off- price stores. Stores owned by the manufacturer are usually referred to as factory out- let stores. One-price stores, such as dollar stores, are also considered off-price retailers. This type of store offers every product at the same price.

Consumers like these stores because they know exactly how much each product costs. In each of these stores, most merchandise is discounted for the reasons, or the merchandise has been specifically made to sell at a lower price.

In addition to outlet stores are closeout retailers, which sell broad assortments of merchandise that they purchase at closeout prices, and flea markets, where many vendors sell used as well as new and distressed merchandise.

(v) Food Retailers

There are many types of food retailers. To make their classifications easier to understand, this section is broken down into the main types of food retailers that operate in the United States and around the world. The premier association for food retailing is the Food Marketing Institute (FMI). FMI conducts programs in research, education, industry relations, and public affairs on behalf of its member companies-food retailers and wholesalers.

To learn more about this important group, access their website at www(dot)fmi(dot)org. In addition, Saint Joseph's University, in Philadelphia, has a very strong academic program in food retailing and marketing, with a wealth of information and experts in the area of food marketing. For more information, write to Erivan K. Haub School of Business, Saint Joseph's University, 5600 City Avenue, Philadelphia, PA 19131-1395.

To remain competitive in the mature food retail business, many retailers are carrying merchandise outside their traditional lines. "As the mass merchandisers industry begins to mature, this channels vigorous focus on food as a vehicle for growth results in super centers that are beginning to look similar to conventional grocery stores.

The conventional supermarket channel, in turn, has fought back with an expanded offering of general merchandise and various other peripheral departments that are beginning to look a lot like the super centre format. The net result is a blurring of the retail channels." Nevertheless, there are general categories into which food retailers fall.

(vi) Conventional Supermarkets

Conventional supermarkets are essentially large department stores that specialise in food. According to the Food Marketing Institute, a conventional supermarket is a self-service food store that generates an annual sales volume of $2 million or more. These stores generally carry grocery, meat, and produce products.

A conventional food store carries very little general merchandise Supermarkets first appeared in the 1930s, when food retailers found they could increase the size of their operations to persuade customers to make purchases by offering more products at lower costs. Piggly Wiggly was the first self-service store (opened in 1916); the first supermarket was King Kullen Grocery Company in New York (1930).

In 2002, there were about 33,000 supermarkets in the United States, accounting for approximately $411.8 billion in sales. Average weekly sales per supermarket were $361,564.26 Chain Supermarkets accounted for $340.5 billion in sales, representing 82.7 percent of the total $411.8 billion. One benefit that accompanied the development of supermarkets was increased Impulse buying.

Impulse purchases are those that haven't been planned. Shoppers at conventional supermarkets generally prepare a list of items needed for their households. While in the supermarket, however, they may find some tempting items that weren't on the list and may purchase them on the spot, or by impulse.

The key to successful supermarket sales is high inventory turnover. Because supermarkets have a great deal of competition from convenience stores, warehouse stores, and superstores, they must develop an effective strategy to keep their customers coming back.

To compete effectively, many supermarkets have developed intensive IMC programs that offer their customers many types of promotions — such as coupons, advertisements, fliers, free samples, and customer affinity cards. The strategic use of couponing, coupled with other promotions such as double or even triple manufacturer coupon values, is called hi-lo pricing.

Other supermarkets do very little promotion; instead they rely on consistently low-priced merchandise sales. By selling the merchandise at the basic same low price each day, they are utilising a strategy known as everyday low pricing, or EDLP.

On a day-to-day basis, the listed prices at an EDLP supermarket are lower than those at a promotional supermarket. At a promotional supermarket, customers must rely on their coupons and take advantage of the store's promotional activities to keep their overall purchase costs lower.

(vii) Superstores

One of the biggest trends over the past twenty years in food retailing has been the development of superstores. Superstores are food-based retailers that are larger than the traditional supermarket and carry expanded service dell, bakery, seafood, and nonfood sections. Superstores vary in size but can be as large as 150,000 square feet. Generally they are no smaller than 20,000 square feet.

Wegmans Food Markets, Inc., is an example of a superstore, although the stores refer to themselves as supermarkets. Typical stores run 80,000 to 130,000 square feet and carry more than 60,000 products, compared to an average of 40,000 products for supermarkets. Typically included in Wegmans stores are bakeries, ready-to-cook meat and seafood entree sections, international foods, photo labs, floral shops, and a fun centre for kids to play in while their parents shop.

(viii) Combination Stores

Because shoppers have been demanding more convenience in their shopping experiences, a new type of food retailer has been emerging. Called a combination store, this type of retailer combines food items with nonfood items to create a one-stop shopping experience for the customer.

In general, customers can find general merchandise along with food products and can take all these products to a common checkout area. Combination stores emerged in the mid-1960s and early 1970s and grew rapidly. Combination stores can be as large as 100,000 or more square feet.

In 1934, Hendrik Meijer started one of the first combination stores in the United States, in Greenville, Michigan Melier (www(dot)Meijer(dot)com) is a family- owned and operated retailer with 157 stores throughout Illinois, Indiana, Kentucky, Michigan, and Ohio. Meijer customers can select from a full range of attractively displayed food products, as well as toys, sporting goods, clothing, health and beauty aids, domestics, furniture, gifts, small appliances, and other products.

(ix) Super Centres and Hypermarkets

A super centre is a combination of a superstore and a discount store. Super centers developed based on the European hypermarket, an extremely large retailing facility that offers many types of products in addition to foods. In super centers, more than 40 percent of sales come from nonfood items.

Super centers are the fastest-growing retail category and encompass as much as 200,000 square feet of area; Wal-Mart is the category leader with a 74 percent share of super centre retail sales. Wal-Mart is focusing on the food industry to spur growth. By 2005, Wal-Mart expects food sales to contribute more than 20 percent of total divisional sales.

The key to a successful super centre is sales of food products at very low prices to stimulate customer traffic and sales of nonfood items with higher markups. The market area for super centers is much greater than that for the other food retailer classifications. This means customers are willing to drive longer distances to visit super centers than to visit any other type of food retail centre.

The major disadvantage of super centers is that customers may not want to frequent them for small purchases. Because the centers are so large, it is often difficult to find the exact product one is looking for in a reasonable period of time.

(x) Warehouse Clubs and Stores

Warehouse clubs and warehouse stores (also known as club stores) were developed to satisfy customers who want low prices every day and are willing to give up service needs. These retailers offer a limited assortment of goods and services, both food and general merchandise, to both end users and small to midsize businesses.

The stores are very large and are located in the lower-rent areas of cities to keep their overhead costs low. Merchandising within the store is almost nonexistent, and pallets are used extensively. Steel shelving and concrete floors are common.

Generally, warehouse clubs offer varying types of merchandise because they purchase products that manufacturers have discounted for a variety of reasons (overruns, returns, and so on). Warehouse clubs rely on fast-moving, high- turnover merchandise. One benefit of this arrangement is that the stores purchase the merchandise from the manufacturer and sell it prior to actual, having to pay the manufacturer.

Typically, warehouse clubs and stores charge their customers an annual membership fee. These fees vary but generally are around $30 to $40. Warehouse clubs may require that customers be affiliated with a government or business entity, such as a credit union, local business, or university. Many warehouse clubs do not carry perishable items, or carry a limited amount, because of the costs associated with storing them. Among the larger warehouse stores are Costco Wholesale, Sam's Club, and Bj's Wholesale Club.

(xi) Convenience Stores

As the name suggests, convenience stores are located in areas that are easily accessible to customers. Convenience stores (also called c-stores) carry a very limited assortment of products and are housed in small facilities. The major sellers in convenience stores are cigarettes, accounting for about 25 percent of in-store sales, and nonalcoholic beverages, which amount to about 15 percent. Owners of convenience stores locate in neighbourhoods and try to intercept consumers between their homes and places of employment.

The strategy convenience stores employ is 'fast shopping' – consumers can go into a convenience store, pick out what they want or need, and check out in a relatively short time. They don't have to search for the products they want, and they don't have to wait a long time in line to pay. The vast majority of products purchased at convenience stores are consumed within an hour after purchase.

Due to their high sales, convenience stores receive products almost daily because convenience stores don't have the luxury of high-volume purchases, and because many of the products are impulse purchases, most products are priced relatively high.

In recent years, many convenience stores have added gasoline to their product mix; gasoline now accounts for the majority of sales for those stores carrying this product. In addition, convenience goods such as milk, eggs, tobacco, soft drinks, and beer are among the largest sales items.

(xii) Limited-Line Stores

Limited-line stores, also known as box stores or limited-assortment stores, represent a relatively small number of food retail stores in the United States. Limited-line stores are food discounters that offer a small selection of products at low prices. They are no-frills stores that sell products out of boxes (or shippers). Limited-line stores rarely carry any refrigerated items and are often cash-and- carry, accepting no checks or credit cards.

Limited-line store customers do their own bagging and frequently bring their own bags or purchase bags from the retailer. In a limited-line store, the strategy is to price products at least 20 percent below similar products at conventional supermarkets. Many of these stores focus "on private labels, which eliminates the need for manufacturers to recoup the costs of advertising and sales promotions."

Aldi is an example of a successful limited-line retailer. Located in Europe and the United States, Aldi has about 570 stores in the United States alone. Its product line includes a little more than 700 most-often-used products for the average home. In comparison, most full-line grocers offer more than 25,000 items.

Types of Retailers – Classified on the Basis of Size, Geographic Location, Product-Line Method and Form of Ownership

1. Size – That is according to their sales volumes during a particular period, say a year. Retailing may be both a small scale and a large scale operation; and it may be integrated and non-integrated.

2. Geographic Location – The stores classified according to these criteria tell about consumer buying habits. The retailers may be found in rural trading centre, large cities, outlying suburbs, or along the main streets of a town.

3. Product-line handled – That is according to the goods dealt with. They may be classified – (a) General merchandise stores (such as department stores, dry goods stores, variety stores, and general stores) dealing in furniture, home furnishings, appliances, household goods, groceries, drugs, convenience goods and shopping goods; (b) single-line stores, dealing in assorted group of products (such as grocery stores, furniture stores, medical stores, building material stores, hardware stores, sporting goods stores, cloth stores and book stores); they may also carry two related lines, such as men's and women's clothing; (c)

Limited-line or specialty stores, which carry a limited variety of products such as shopping or convenience goods — apparel, shoes, gifts and decorative accessories selling stores.

4. Form of Ownership – On this basis we have independent stores and corporate chain stores; less important are leased department, company stores, consumer co-operatives, etc.

5. Method of Operation – On this basis retailers may be of two types; (a) full-service retailers, where the sale is generally made at the counter, especially of high- fashion goods or where a salesman’s demonstration, explanation or fitting is needed. Such retailers are super markets, and discount retailers (b) non-store retailing, where buyers and sellers meet and transact their business at the buyer’s home or at some other non-store location, known as door-to-door or house- to-house selling. Major forms of non-store retailing are mail order selling, automatic vending and personal selling on a door-to-door basis.

UNIT –III

RETAIL LOCATION STRATEGY

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 thorough 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 it 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 competing for the shopper's penny 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.

Importance of Location Decision

Location is a major cost factor because it

- Involves large capital investment
- Affects transportation cost
- Affects human resources

Location is major revenue factor because it

- Affects the amount of customer traffic
- Affect the volume of business

A location decision is influenced by the flow of pedestrian and vehicular traffic, which determine the footfalls in a retail store. Footfalls refer to the no. of customers who visit a store in a defined time period.

Factors affecting retail Location decision

Proper establishment of shop is very important for success in retail trade. While deciding the location of a retail outlet the following factors should be taken into consideration

1. Selection of the area Before commencing his business, a retailer should decide about the area which he would like to serve. While deciding the area of operations, he should examine the population of the area, its nature (permanent or shifting), income level of the people, nearness to big markets, transport and communication facilities, etc. All these factors will reveal the demand potential of the area.

2. Choice of the site Once the area is decided, a specific site is selected for location of the retail shop. A retailer may open his shop in special markets or in residential areas. The shop should be near the consumers in a congested locality or at a place frequently visited by the consumers. The place of location should be easily accessible to consumers.

3.Scale of operation A retailer should decide the size of his business. Size will depend upon his financial and managerial resources, capacity to bear risks and demand potential of the area.

4.Amount of capital Then the retailer has to decide the amount and sources of capital. The amount of capital required depends on the size of business, terms of trade, availability of credit, cost of decoration of shop and display of goods. Adequate finance is necessary for success in any business.

5.Decoration of shop The layout and decoration of shop are decided so that customers find the place attractive and comfortable for shopping. The retailer should arrange and display the goods in an attractive manner to attract more and more customers.

6.Selection of goods The goods to be sold are selected on the basis of the nature, status and needs of the customers. Changes in incomes, habits and fashions of customers must be considered in the choice of goods.

7.Source of supply The wholesalers and manufacturers from whom goods are to be purchased must be selected carefully. Availability of supplies, reputation of the brand, price range, and distance from the shop, means of transport, etc. should be considered.

8.Sales policy The retailer should adopt a suitable sales policy to increase sales and profits. Sales policy and prices should be decided keeping in mind competition and customers.

Types of Store Locations

A **Store area** is an area where the retailer attracts customers. It is also called

Catchment area. There are three basic types of trade areas

1.Solitary Sites These are single, free standing shops/outlets, which are isolated from other retailers. They are positioned on roads or near other retailers or shopping centers. They are mainly used for food and non-food retailing, or as convenience shops. For example, kiosks, mom-and-pop stores.

Advantages Less occupancy cost, away from competition, less operation restrictions.

Disadvantages No pedestrian traffic, low visibility.

2.Unplanned Shopping Areas These are retail locations that have evolved over time and have multiple outlets in close proximity. They are further divided as

a. Central business districts such as traditional "downtown" areas in cities/towns.

b. Secondary business districts in larger cities and main street or high street locations.

c. Neighborhood districts.

d. Locations along a street or motorway (Strip locations).

Advantages High pedestrian traffic during business hours, high resident traffic, nearby transport hub.

Disadvantages High security required, threat of shoplifting, Poor parking facilities.

1.Planned Shopping Areas These are retail locations that are architecturally well-planned to provide a number of outlets preferably under a theme. These sites have large, key retail brand stores (also called "**anchor stores**") and a few small stores to add diversity and elevate customers' interest. There are various types of planned shopping centers such as neighborhood or strip/community centers, malls, lifestyle centers, specialty centers, outlet centers.

Advantages High visibility, high customer traffic, excellent parking facilities.

Disadvantages High security required high cost of occupancy.

Site selection Analysis

Step 1 - Analyze the market in terms of industry, product, and competitors - How old is the company in this business? How many similar businesses are there in this location? What the new location is supposed to provide new products or new market? How far is the competitor's location from the company's prospective location?

Step 2 – Understand the Demographics – Literacy of customers in the prospective location, age groups, profession, income groups, lifestyles, religion.

Step 3 – Evaluate the Market Potential – Density of population in the prospective location, anticipation of competition impact, estimation of product demand, knowledge of laws and regulations in operations.

Step 4 - Identify Alternative Locations – Is there any other potential location? What is its cost of occupancy? Which factors can be compromised if there is a better location around?

Step 5 – Finalize the best and most suitable Location for the retail outlet.

SELECTION OF SHOPPING CENTRE

1. Comfort

Early malls designed to create the most retail space with the least cost. Traffic flow was constricted, with a single entrance/exit and crowded, dead-end corridors. Only the occasional hard bench was provided to allow shoppers some rest.

Modern mall design focuses on the consumer first, because uncomfortable consumers mean fewer footfalls and declining business. Forward-thinking mall developer Westfield Group worked with **TVs design** to develop a comprehensive amenities package for the furniture, area rugs and accessories in its 57 U.S. retail centres' common areas. Large open areas with comfortable soft furniture and decorative touches transform a day at the mall into a relaxing, pleasurable experience.

2, Diversity

Historically, shoppers seeking a specific product or category were forced to search the mall for their items – a tiring, frustrating experience. Malls today view diversity differently – not just a very wide variety of retailers, but a planned selection of retailers organized to provide convenient shopper access.

The new North Country Mall in Punjab is a great example. North Country Mall vertically "stacks" different price points and merchandise zones on different levels – a practice seldom seen in Western malls that permits a broader retail selection on a smaller geographic footprint.

3. Luxury

Newer malls strive to create a luxury hotel ambience for shoppers. At **TVs design** we call this "resort retail," with an emphasis on creature comfort and providing a hospitality experience with the same kind of amenities you'd find at a fine resort. Social gathering areas and services like concierge and a VIP arrival area help create this resort ambience.

4. Mall Essence

Mall essence is harder to define, but it boils down to branding the retail environment and the shopping experience. Consumers are seeking a shopping experience that makes them feel comfortable, encourages them to stay longer and, more importantly, persuades them to return. New malls can meet or exceed these needs and consumer expectations by creating iconic "shoppertainment" locations.

We at **TVs design** call this "place making." Place making means crafting a relaxed environment that allows consumers to take home a memorable experience – one that they want to experience again and again. And that includes almost every element of the mall – retailer selection, mall design, dining options and amenities.

5. Entertainment

Entertainment is one of the elements in place making, and it applies to every aspect of the mall that encourages shopper enjoyment. Areas for local community celebrations and festivals, among them an outdoor plaza, amphitheatre, and outdoor food court terrace — are all planned as social gathering places.

Mall dining areas are another essential feature of 21st century malls, and should be more than just "fuelling areas." Plaza Egaña in Santiago, Chile, has restaurants on the roof of the mall that offer great views and open space. Together with a multi-screen cinema, an IMAX theatre, a food court and a jazz club, they help create a powerful entertainment destination.

6. Convenience

Convenience covers a number of aspects of mall design. Is the facility close to public transportation, and can that be incorporated into the design, as Plaza Egaña has? Is sufficient parking available to accommodate a busy shopping day? Does that parking area support multiple entry points to avoid crowding and congestion? Does the array of retailers match the needs of local shoppers?

LOCATION ASSESSMENT

Location assessment and data collection is the first step in the planning, design, and layout of any construction project. This step involves collection of resource information applicable to the project site. Information can be obtained through research of existing publications, maps, studies, and other resources. In addition to obtaining information through research of existing documents, it is important to walk the project site to obtain a visual appreciation of the site and site features.

Taking good notes and documenting information is very important in this phase of site assessment and planning. Collected information can be documented in narrative or graphical format. Information that is collected in graphical format such as maps should be of the same scale whenever feasible. This allows the plan designer to overlay different site maps and compare various resources and data at a quick glance.

Vegetative Cover

Vegetative cover can be documented in narrative and/or graphical format. Graphical documentation should be on a map or overlay and at a minimum include the delineation and identification of existing vegetation such as grass, shrubs, trees, groupings or clusters of trees, unique vegetation, and so on.

Soils Information

Soils information is another key component in the planning, design and layout of construction projects. Soil types in conjunction with site topography can provide valuable information in determining areas with a high potential for erosion. Soils data can also be used in the selection, sizing, design, and placement of storm water management measures.

Soils information can generally be obtained from the U.S. Department of Agriculture’s Natural Resources Conservation Service county soil surveys which are available through local county soil and water conservation district offices. Soils data can also be obtained through the services of private soils consultants or firms who prepare geotechnical reports.

Soils data should be documented in both graphical and narrative form. Soil types should be delineated directly onto an aerial photograph or an overlay of the same scale as the topographic map(s) for the project site. This facilitates the comparison of soil types and their relationship with the topography of the site.

Data collection should also include information pertaining to critical areas or features such as steep slopes, rock outcrop- pings, seepage zones, and any other unique or note worthy landscape features.

Topographical Information

Site topography is critical to project planning, design and layout. Topographic maps provide useful information that the plan designer can use to determine drainage patterns, slope gradient and length, and the location of ecologically sensitive features such as water bodies.

Hydrological Information

Hydrologic features are critical in planning, designing, and laying out a construction project. It is extremely important to identify, delineate, and record all depression areas such as ponds, lakes and wetlands and conveyance systems, including swales, ditches, streams, creeks, rivers, and areas of concentrated flow that are on or adjacent to the project site. This information allows the plan designer to determine drainage patterns, evaluate the condition of various drainage features, determine if they can be incorporated into the project, and select storm water management measures to protect ecologically sensitive areas.

Adjacent Areas

Site assessment and data collection should include an evaluation of adjacent properties and their respective land uses. This information provides the plan designer with valuable information that can be used to determine the effects that storm water runoff and pollutants associated with upstream watershed land uses (e.g., single-family residential, multi-family residential, commercial, industrial, agricultural, woodland, etc.)

might have on the proposed project site. It also aids in projecting what impacts a project might have on downstream watersheds and sensitive areas.

Features of significance that should be documented and evaluated include but are not limited to rivers, streams, creeks, lakes, ponds, wetlands, wooded areas, roads, culverts, houses and other structures. Site assessment should include documenting the potential for sediment deposition and damage to adjacent properties as a result of sheet and rill erosion from the project site once construction begins.

Utility & Highway Corridors

Utility and highway corridors and easements on or adjacent to a construction project should be identified and delineated on a project site map. This information is useful when planning, designing, and laying out a project and developing a construction plan for the project.

Existing Infrastructure & Potential Problem Areas

A commonly overlooked aspect of site assessment and data collection is the identification of past activities and potential problem areas associated with the project site. These issues can often delay or even stop a project if they are over- looked.

Natural, Historical & Archeological Features

Natural, historical, and archeological features can also delay or stop a project if not addressed in the planning, design and layout of a project. This element of site assessment and data collection should include features that may be impacted by the overall project, from initial construction through the final land use.

Regulations

While is it still early in the planning, design and layout process and many decisions still need to be made, it is not too early to start evaluating what permits may be needed for the project.

Regulatory requirements can influence land use and project layout decisions. Often, a project's design or layout can be modified or adjusted to avoid the need for a specific permit or to meet specific regulatory requirements. Therefore, site assessment and data collection should include documentation identifying the need or potential need for local, state, and federal regulatory permits. The types of permits needed will be dependent on the nature and scope of the project.

UNIT-IV

Challenges to Retail Development in India

An industry is a group of firms that market products, which are close substitutes for each other (e.g. the car industry, the travel industry). Understanding the sources of competition can help a firm gauge its strengths and weaknesses, and analyze the trends in the industry so that it can position itself optimally for the best returns. Some industries are more profitable than others. Because the dynamics of competitive structure in an industry. The most influential analytical model for assessing the nature of competition in an industry is Michael Porter's Five Forces Model, which is described below

Porter explains that there are five forces that determine industry attractiveness and long-run industry profitability. These five "competitive forces" are

1. The threat of entry of new competitors (new entrants)
2. The threat of substitutes
3. The bargaining power of buyers
4. The bargaining power of suppliers
5. The degree of rivalry between existing competitors

(a)**Threat of New Entrants** New entrants to an industry can raise the level of competition, thereby reducing its attractiveness. The threat of new entrants largely depends on the barriers to entry. High entry barriers exist in some industries (e.g. shipbuilding) whereas other industries are very easy to enter (e.g. estate agency, restaurants). Key barriers to entry include

a. Economies of scale

b. Capital /investment requirements

c. Customer switching costs

d. Access to industry distribution channels

The likelihood of retaliation from existing industry players

- **Threat of Substitutes**

The presence of substitute products can lower industry attractiveness and profitability because they limit price levels. The threat of substitute products depends on Buyers' willingness to substitute the relative price and performance of substitutes the costs of switching to substitutes.

- **Bargaining Power of Suppliers**

Suppliers are the businesses that supply materials and other products into the industry. The cost of items bought from suppliers (e.g. raw materials, components) can have a significant impact on a company's profitability If suppliers have high bargaining power over a company, then in theory the company's industry is less attractive. The bargaining power of suppliers will be high when

- There are many buyers and few dominant suppliers
- There are undifferentiated, highly valued products
- Suppliers threaten to integrate forward into the industry (e.g. brand Manufacturers threatening to set up their own retail outlets)
- Buyers do not threaten to integrate backwards into supply
- The industry is not a key customer group to the suppliers.

❖ **Bargaining Power of Buyers** Buyers are the people/organizations who create demand in an industry. The bargaining power of buyers is greater when

There are few dominant buyers and many sellers in the industry

- Products are standardized
- Buyers threaten to integrate backward into the industry
- Suppliers do not threaten to integrate forward into the buyer's industry
- The industry is not a key supplying group for buyer.

❖ **Intensity of Rivalry** The intensity of rivalry between competitors in an industry will depend on

- ***Structure of competition*** For example, rivalry is more intense where there are many small or equally sized competitors; rivalry is less when an industry has a clear market leader.
- ***Structure of industry costs*** For example ,industries with **high fixed costs**
- encourage competitors to fill unused capacity by price cutting.
- ***Degree of differentiation*** Industries where products are commodities (e.g. steel, coal) have greater rivalry; industries where competitors can differentiate their products have less rivalry.
- ***Switching costs*** Rivalry is reduced where buyers have high switching costs-

- i.e. there is a significant cost associated with the decision to buy a product from an alternative supplier.
- ***Strategic objectives*** When competitors are pursuing aggressive growth strategies, rivalry is more intense. Where competitors are "milking" profits in a mature industry, the degree of rivalry is less.
- ***Exit barriers*** When barriers to leaving an industry are high (e.g. the cost of closing down factories) - then competitors tend to exhibit greater rivalry.

Problems of Indian retailing

1. Global economic slowdown impacting consumer demand

The current contraction in overall growth has not been so severe ever since the one witnessed during World War II. The subprime-triggered crisis in the US during end of 2007 gradually spread across other parts of the world; as a the fallout of this crisis, credit availability dropped sharply in advanced economies and their GDP growth contracted incessantly during the last quarter of 2008. the financial crisis continued to trouble advanced and developing economies in spite of policymakers' attempts to replenish liquidity in these markets. Many financial institutions collapsed and filed for bankruptcy, as the situation got from bad to worse. Many banks/institutions made massive write-downs following this turn of events. During 2007-10, the write-downs on global exposures are expected to be worth US$ 4 trillion while the write downs on the US-originated assets alone are likely to be worth US$ 2.7 trillion11. Such massive write-down will affect the financial system to a grave extent, as it is likely to further strain banks'funding capabilities. Already these write-downs are turning into a major challenge for banks/financial institutions because of solvency issues, and deepening risk of failure of banks/ financial institutions. Failure of the US investment bank Lehman Brothers, for instance, has had an enormous impact on the overall global financial system, and has consequently shaken the confidence of banks, investors, households etc.

2. Consumption declines in the advanced economies

Private consumption expenditure is an important indicator of overall economic growth. In the last couple of quarters, the decline in consumption has further affected the global economic downturn. Moreover, widespread financial crisis severely hit credit availability and household disposable income. For instance, US households lost 20% (US$ 13 trillion)14 of their net worth as a percentage of disposable income from the second quarter of 2007 to the fourth quarter of 2008. The stock prices across the world started falling during the second quarter of 2007 and continued its losses throughout 2008; the global stock market lost between 40-60% in dollar terms that translated to a huge loss of global wealth in 2008. The personal disposable income (at current prices) in the US registered negative growth (3.9% and 2.1%) during the last two quarters of 2008, respectively. The consumer demand situation was aggravated further by reduced capital availability and consequent fall in investments.

3. Competition from the unorganized sector

Organized retailers face immense competition from the unorganized retailers or kirana stores (mom-and-pop stores) that generally cater to the customers within their neighborhood. The unorganized retail sector constitutes over 94% of India‘s total retail sector and thus, poses a serious hurdle for organized retailers. If put numerically, the organized retailers are facing stiff competition from over 13 million kirana stores that offer personalised services such as direct credit to customers, free home delivery services, APART from the loyalty benefits. During the current economic slowdown, the traditional kirana stores adopted various measures to retain their customers, which directly affected organised retailers. Generally, it has been observed that customers shop impulsively and end up spending more than what they need at organised retail outlets; however, in kirana stores, they stick to their needs because of the limited variety. During a downturn, many customers may not like to spend
more as is evident from the past few months‘ trend that shoppers are increasingly switching from organised retail stores to kiranas.

4. Retail sector yet to be recognized as an industry

The retail sector is not recognized as an industry by the government even though it is the second-largest employer after agriculture. Lack of recognition as an industry affects the retail sector in the following ways

- Due to the lack of established lending norms and consequent delay in financing activity, the existing and new players have lesser access to credit, which affects their growth and expansion plans
- The absence of a single nodal agency leads to chaos, as retailers have to oblige to multiple authorities to get clearances and for regular operations

5. High real-estate costs

Even though the real estate prices have subsided recently due to the slowdown in economies and the financial crises, these prices are expected to go up again in the near future. Presently the sector faces high stamp duties, pro-tenancy acts, the rigid Urban Land Ceiling Act and the Rent Control Act and time-consuming legal processes, which causes delays in opening stores.

Earlier on the lease or rents on properties were very high (among the highest in the world) at some prominent locations in major cities. The profitability of retail companies were affected severely because real costs constituted a major part of their operating expenses. Now companies are moving out from prominent malls of tier I cities and are re-negotiating the rental agreements with landlords to reduce costs. Some are even focusing on setting up shops in tier II and tier III cities.

6. Lack of basic infrastructure

Poor roads and lack of cold chain infrastructure hampers the development of food retail in India. The existing players have to invest substantial amounts of money and time in building a cold-chain network.

7. Supply-chain inefficiencies

Supply chain needs to be efficiently-managed because it has a direct impact on the company's bottom lines. Presently the Indian organised retail has an efficient supply chain but it appears efficient only when compared with the unorganized sector. On an international level the Indian organised retailers fall short of international retailers like Wal-Mart and Carrefour in terms of efficiencies in supply chain. In the following paragraphs some key challenges that the retailers face during procuring goods from suppliers to delivering the same to end-customers are discussed.

8. Challenges with respect to human resources

The Indian organised retail players shell out more than 7% of sales towards personnel costs. The high HR costs are essentially the costs incurred on training employees as there is a severe scarcity for skilled labour in India. The retail industry faces attrition rates as high as 50%, which is high when compared to other sectors also. Changes in career path, employee benefits offered by competitors of similar industries, flexible and better working hours and conditions contribute to the high attrition.

9. Shrinkage

Retail shrinkage is the difference between the book value of stock and the actual stock or the unaccounted loss of retail goods. These losses include theft by employees, administrative errors, shoplifting by customers or vendor fraud. According to industry estimates, nearly 3- 4% of the Indian chain's turnover is lost on account of shrinkage. The organised industry players have invested IT, CCTV and antennas to overcome the problem of shrinkage.

UNIT-V

GLOBAL RETAILING

Definition

Global retailing is the concept of selling products (i.e., goods and services) across the geographical boundaries of a country to the consumers available in the different parts of the world to attain global presence and recognition and to capture the opportunities prevailing in the potential overseas markets.

Evolution of Global Retailing

The geographic shift in consumer spending over the last decade has been enormous, resulting in a change of priorities for many retailers. Rising incomes, improved infrastructure and fewer tariffs have made a number of emerging markets both more accessible and more attractive. The lure of high growth rates fuelled interest and investment into these markets, sparking a sharp rise in the number of market entries from retailers across the world. Many developed markets, on the other hand, have faced long periods of stagnation and in some cases, decline. This has forced retailers from these markets to reconsider domestic store expansion and look for opportunities in new market Exacerbated by the rise of e-commerce, the growth in the size and number of internet retailers has made saturated markets even more competitive. These two forces of attraction and repulsion have propped the internationalization of retail.

1. Domestic saturation and the high growth nature of emerging markets are the biggest drivers of the internationalisation of retail.
2. Acquisition of supply chain infrastructure and local knowledge mean grocery retailers are best suited to inorganic international growth.
3. Vertically integrated retailers stand a much greater chance of success when internationalising compared to multi-brand retailers.
4. High growth opportunities from luxury brand retailers will be geographically different from the rest of the retail world.
5. The shortage of international home improvement and gardening retailers proves that some retail concepts are harder to export than others
6. Despite the importance of internet retailing, real growth abroad requires stores.

Strategic Retail Planning Process

For the purpose of developing retail strategies, retailers are required to follow a step by step procedure or planning process. The planning process discusses/involves the present stage of business, the formulation, list of available strategic options, and the implementation of the selected strategies. Considering the importance of strategic decisions for the future success of the business, a systematic approach is essential.

1. Deciding the store's philosophy, mission and objectives,
2. Situation analysis,
3. Formulation of retail strategy
4. Strategy implementation and control.

1. Deciding the store's philosophy, mission and objectives

The retail strategic planning process starts with the identification of store's mission for its existence and hence the scope of the retail store. The mission of a store entails identifying the goods and services that will be offered to customers. It also deals with the issue that how the resources and capabilities of a store will be used to provide satisfaction to customers and how the store can compete in the target market vis-a-vis its competitors.

The mission also involves the way of store's functioning. How a store will work and accomplish its day to day operations? What is the emergency planning? All are answered in the store's mission statement. For example, Vishal Mega Marts, they have philosophy of customer satisfaction through "manufacturing to retailing".

2. Situational Analysis (SWOT Analysis)

The objective of doing store's situation analysis is to determine where the store is at present and to forecast where it will be if formulated strategies are implemented. The difference between current and future position (forecasted) is known as planning or strategic gap. Under organisational analysis, normally stores study their external (environmental) and internal environments.

3. Formulation of Retail Strategy

In this stage, after analyzing the store's capabilities in terms of HR, finance, physical and intangible resources, a store manager formulates retail strategy with regard to marketing, retail positioning and retail mix. Marketing is the way to achieve the set objectives. Therefore, marketing strategy should be devised according to store's primary and secondary objectives. Generally, marketing strategy is developed on the basis of product and/or market segmentation instead of the market as a whole.

Retail Positioning is a plan of store's action for how the retailer will enter the target market and will compete with its main competitors. Retail positioning from a retail store's point of view, is a step by step plan to create and maintain a unique and everlasting image of the store in the consumers' mind.

4. Strategy Implementation and Control

It is concerned with the designing and management of retail systems to achieve the best possible combination of human, financial, physical and intangible resources of a retail store to achieve the formulated objectives, without timely and effective implementation also requires scheduling and coordination of various retail activities. For example, the coordination between the marketing and sales promotion department is a must for sales promotion to make success.

Further, the spirit of team work is an essential part for the success of strategy implementation. If the retail store's strategies are competitive, marketing efforts are as per demand but the sales promotion employees are not taking it seriously or are ineffective, result will not be up to the mark.

The implementation of new retailing strategies sometimes require changes in the way of functioning and duties that can lead to resistance from employees. Therefore, stores should take positive steps to reduce this resistance to change and to convince the employees that it in a long term will be beneficial for both the store and employees.

CHALLENGES OF GLOBAL RETAILING

The retail industry is constantly changing and there are always new challenges faced by the players in this competitive industry. Since 2017, there have been several major retail companies that have filed for bankruptcy. And this year, after COVID-19, more and more retailers have closed their businesses.

However, not all retailers are experiencing the same adversity amid this global pandemic. When some retailers are experiencing a decline in their revenues, some are gaining profits. Those that sell masks and medical supplies, staples, and furniture (especially during lockdowns) are getting the spotlight.

When the quarantine ended and shopping centers have reopened, retailers should be ready to face new challenges. Here are some of the major challenges facing the retail industry today and ways for dealing with them, which we've summarized from various well-known business articles.

1. **Undergo the New Normal Protocol to Prevent Covid-19 Transmission**

Consumers have started shopping at the mall. Isn't this good news for all retailers? However, have your store followed new normal protocols properly? Here are a few things you must include in your new normal procedure list

- Limit the number of customers in the store
- Ensure customers are keeping a distance from other customers
- Ensure your staff and customers are always wearing masks
- Maintain the hygiene of your products
- Provide hand sanitizers and measure the body temperature of customers entering your store
- Implement cashless payment to avoid the spread of the virus

2. Keeping up with ever-changing customer expectations

Customer preferences will always change, sometimes even faster than you can imagine. You must be able to keep up with consumer demand. Apart from seasons and trends, several other factors such as economic circumstances, advertisements, and competition in the retail industry have huge impact on consumer demand as well. Therefore, pay attention to these factors to help you get accurate forecasts.

3. Maintaining customer loyalty

Good customer experience is a key factor in creating brand loyalty. One of the common mistakes made by retailers is let their existing customers go and think they can easily replace them. If you keep this mindset, you will find it hard to sustain your business growth.

While promotions and special offers are still the mainstay of the retailers to retain their customers, the real key to an amazing customer experience is personalization. In order to keep your customers loyal, you need to use a personal approach, for example by sending them mails that have been adjusted to their preferences and needs. A CRM system can help you maintain your customers' details and send personalized mails more easily.

4. Managing internal communication

Retail has complex operations and managing its internal communication is not an easy task. This challenge is mainly faced by large-scale retail companies with multiple divisions. Inefficient communication between divisions can disrupt the business processes.

Retailers should opt for a system that can streamline their internal communication. An ERP system can be the perfect solution for managing internal communication within retail companies. The software is able to centralize all of the business operations, generate real-time and comprehensive reports from each division, automate the task distribution across divisions, and ensure the entire process run properly.

5. Retaining and engaging employees

Retail is one of the industries with the highest employee turnover rates. Retaining staff is one of the toughest challenges in the industry. Meanwhile, replacing employees requires a lot of energy and costs. The solution to this challenge is to increase employee engagement within your company. Provide regular training to optimize their competencies. To make it easier for you to cultivate and maximize their potential, consider utilizing the help of automated solutions such as an HR management system or a competency management system.

6. A high-stakes global game of digital disruption

Consumer behavior changes very quickly. Now with the growth of e-commerce, consumers have plenty of choices before making a purchase decision. Although e-commerce has a dramatic impact on consumer behavior, but reports show that consumers still love to make purchases for most products in-store. They usually go to the internet to search for product information and compare the price, but would still buy it offline.

The phenomenon of e- commerce growth shouldn't be considered a threat, but an opportunity. Retailers can merge online and offline businesses. Deloitte reported that 56% of in-store retailers involve a digital website and web-influenced physical store sales are about 5X online sales. An Omni channel marketing strategy can help retailers reach wider audience for their brands.

7. Finding the best technology solutions for the retail industry

There are many technologies developed for various businesses that offer various prices and benefits. Retailers have been looking for the best automated solutions to simplify their business processes, yet their choices often fall on the wrong software, either they're difficult to use or don't really have abilities to overcome retail challenges.

We recommend that you choose a system that's specifically created for the retail industry to help you automate all your retail operations, from managing inventory and sales to managing prospects and customers. In addition to easy-to-use, the software should also provide ease of integration with other systems, such as barcode scanners and POS. Most importantly, you need to understand your requirements very well to help you control your budget wisely and find the right software faster.

8. Coping Up with Changing Technology

The organizations today are judged more based on their efficiency receiving and transmitting information. Therefore, the companies operating on an international level need to depend upon the technology and e-retailing platforms.

9. Language and Communication Barriers

While selling goods or services overseas, the organization faces difficulty to connect with locals or potential consumers. This is due to the difference in language, preference of communication modes, translation errors, etc.

10. Consumer Empowerment

With the rapid change in technology, lifestyle and demand has lead to consumer empowerment and thus, made it difficult for the companies to generate customer loyalty.

11. Cultural Complexities

Every market is culturally diverse, and the consumers' values define their priorities for the goods or services, purchasing power and modes of shopping and making payments. Understanding the culture of the potential market is a complicated task.

12. International Shipping Policies

The overseas trading policies like license, excise duty, taxes and rates, import-export policies, exchange rates, etc. act as a considerable challenge for the companies going global.

FACTORS AFFECTING THE SUCCESS OF A GLOBAL RETAILING STRATEGY

Businesses are affected by an external environment as much as they are affected by the competitors. Global factors influencing business are legal, political, social, technological and economic. Understanding of these factors is important while developing a business strategy.

a. Social factors – These factors are related to changes in social structures. These factors provide insights into behaviour, tastes, and lifestyles patterns of a population. Buying patterns are greatly influenced by the changes in the structure of the population, and in consumer lifestyles. Age, gender, etc all determine the buying patterns and understanding of such changes is critical for developing strategies which are in line with the market situations. In a global environment it is important that business strategies are designed keeping in mind the social and cultural differences that vary from country to country. Consumer religion, language, lifestyle patterns are all important information for successful business management.

b. Legal factors – These factors that influence business strategies are related to changes in government laws and regulations. For a successful business operation it is important that the businesses consider the legal issues involved in a particular situation and should have the capability to anticipate ways in which changes in laws will affect the way they must behave. Laws keep changing over a period of time. From the point of view of business it is important that they are aware of these changes in the areas of consumer protection legislation, environmental legislation, health & safety and employment law, etc.

c. Economic factors – These factors involve changes in the global economy. A rise in living standards would ultimately imply an increase in demand for products thereby, providing greater opportunities for businesses to make profits. An economy witnesses fluctuations in economic activities. This would imply that in case of a rise in economic activity the demand of the product will increase and hence the price will increase. In case of reduction in demand the prices will go down. Business strategies should be developed keeping in mind these fluctuations. Other economic changes that affect business include changes in the interest rate, wage rates, and the rate of inflation. In case of low interest rates and increase in demand Businesses will be encouraged to expand and take risks. Therefore, business strategies should have room for such fluctuations.

d. Political factors – This refers to the changes in government and government policies. Political factors greatly influence the operation of business. This has gained significant importance off late. For example companies operating in the European Union have to adopt directives and regulations created by the EU. The political arena has a huge influence upon the regulation of businesses, and the spending power of consumers and other businesses. Business must consider the stability of the political environment, government's policy on the economy etc

e. Technological factors – These factors greatly influence business strategies as they provide opportunities for businesses to adopt new innovations, and inventions. This helps the business to reduce costs and develop new products. With the advent of modern communication technologies, technological factors have gained great impetus in the business arena. . Huge volumes of information can be securely shared by means of databases thereby enabling vast cost reductions, and improvements in service. Organisations need to consider the latest relevant technological advancements for their business and to stay competitive. Technology helps business to gain competitive advantage, and is a major driver of globalization. While designing the business strategies firms must consider if use of technology will allow the firm to manufacture products and services at a lower cost. Firms can select new modes of distributions with the help of technology. It has become easier for companies to communicate with their customer in any part of the world.