UNIT 8: RETAIL MARKETING STRATEGIES

UNIT STRUCTURE

8.1 Learning Objectives

8.2 Introduction

8.3 Elements of Retail Strategy

8.4 Building a Sustainable Competitive Advantage

8.5 Retail Format

8.6 Strategic Retail Planning Process

8.7 Retail Model/Business Models in Retail

8.8 Let Us Sum Up

8.9 Further Reading

8.10 Answers To Check Your Progress

8.11 Model Questions

8.1 LEARNING OBJECTIVE

After going through this unit, you will able to:

- learn the strategy at different levels of business
- know how to build about a sustainable competitive advantage
- learn retail format
- explain strategic retail planning process
- learn about retail model/business models in retail
- know about site Location.

8.2 INTRODUCTION

Strategic decisions are taken in order to survive in the cut throat competition. Such decisions seek immediate implementation. The 21st century can be considered as the age of retailing. Today retailing industry is considered as the backbone of the economy of any country and this would automatically pull different firms into the retail business. As such there will be cut throat competition amongst different business firms for their survival. It is here when firms need to take up strategic decisions to sustain in this

competition. Therefore, in order to sell their products in the market, all retail firms need to take up some strategic marketing decision. Retail firms must therefore identify its target customer base accordingly to its product offerings followed by a well developed strategic marketing mix and identify its sources of competitive advantage respectively.

8.3 ELEMENTS OF RETAIL STRATEGY

As part of their strategy, retail firms need to identify the following elements:

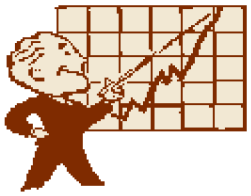
a) **Target Market:** Identifying the target market is an extremely important element of retail strategy. As the need and preferences of the customers are changing with each passing day, therefore identifying the target market and fulfilling the need and aspirations of the target segment has become an important aspect for any retail firm. Retail firms today store items depending on the targeted customers. For e.g. in the same retail outlet, there are separate shelves for kids, men and women.

b) **Identifying the customer needs:** Because of the tough competition that has taken up in the retail industry, it has become important for retail firms to identify its customer needs. Considering customers as an asset, it is important to identify and satisfy their needs and expectations.

c) **Retail format:** In retailing, over and above the different P's of marketing mix i.e. product, price, place and promotion it is also important develop customer services that would enhance the sale of a product. Retailers need to earn the confidence of the customers by providing superior quality products because it is evident that a satisfied customer will naturally create a liking for one retailer over the others. Further, retailers try to build a strong emotional bonding with the customers through different programs like providing gift items during special occasions.

d) **Defending position against competitors:** An important aspect of retail strategy is defending one's own position against competitors. In today's competitive world, retailers are engaged in cut throat competition against one another. Therefore all retail firms are engaging

themselves in research and developmental activities so as to produce the innovative products and render unique services to its customers. If any retail firm do not display its competitiveness in the market then it will not be possible to defend its position.



CHECK YOUR PROGRESS

Q 1: Strategic decisions are taken in order to survive in the .....

Q 2: State two elements of a retail strategy.

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8.4 BUILDING SUSTAINABLE COMPETITIVE ADVANTAGE

Building a sustainable competitive advantage is the essence of all retail firms. A retail firm can develop a sustainable competitive advantage by:

a) **Store Location:** The location of the store must be suitable for all types of customers. The store must be located within close proximity so that it is visible to all. A proper store location plays a significant role in determining the future growth prospects of the retail outlet.

b) **Merchandise:** The retail store must keep the merchandise depending on the need of the customers. As customers' tastes and preferences vary, therefore retailers must keep a wide range of merchandise in stock so that the demand of the customers can be met smoothly. Such firms also have a competitive edge over its competitors. A retail outlet that does not have sufficient stock of merchandise will lose its customers.

c) **Advertising frequency:** In order to make the customers aware about new products or services in the market, retailers need to conduct frequent advertising so that the customers are aware of the product offerings. Advertising is an effective medium for a retail outlet to communicate to its customers and helps in generating awareness.

d) **Sales personnel:** It is important for retailers to keep dedicated sales team with a better pay package so that they become motivated to perform. Sales personnel are the ones who come in direct touch of the customers and can persuade them to buy the products of the organization.

e) **Customer Service:** Another important aspect of retail sales strategy is that in case of service retailers, providing better customer service is extremely important. Providing customer service builds trust amongst the customers for the retailers and such retailers are mostly preferred in the market.

f) **Providing competitive pricing:** Retail firms need to keep a close look in the prices offered by competing firms for their products and therefore set prices lower than its competitors.

8.5 RETAIL FORMAT

The retail format varies from one retail outlet to another. Considering a country as large as India where tastes and preferences of people tend to change frequently, retail industry has been a blessing in disguise to them. The following diagram highlights the retail format in a more elaborate manner:

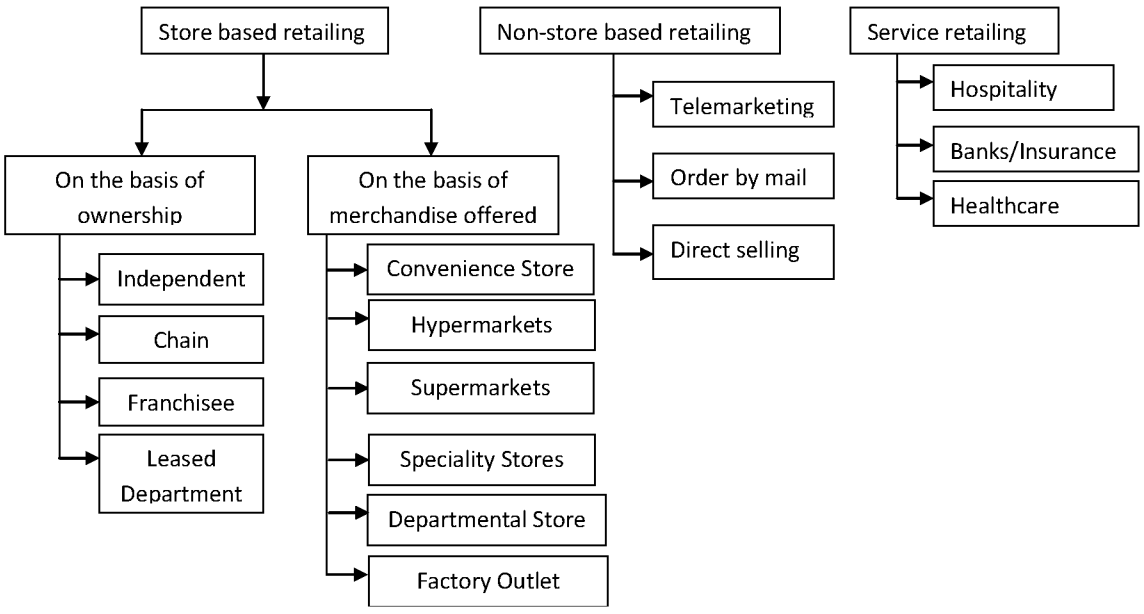
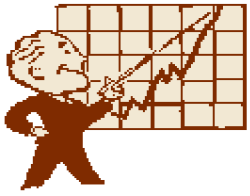


Figure: Retail format

Generally, retail format are classified into store-based retailing, non-store based retailing and service retailing. Store based retailing as the name signifies the presence of a store or an outlet is sub-divided into ownership which is owned by the retailer himself and type of merchandise offered which is based on the type of goods that the retail outlet offers in general.

Ownership based retail store is sub-divided into independent, chain, franchisee and leased while retail store based on merchandise offered are convenience store, hypermarkets, supermarkets, speciality stores, departmental store and factory outlet respectively.

Convenience stores are a small type of retail outlet that keeps in stock the items of day-to-day consumption. Supermarkets, also called 'self-service stop' is larger than a convenience store where different items of household consumption as well as wide variety of food items are stored in different shelves for the customers to select on their own. Some supermarkets also store packaged meat and vegetables as well. Hypermarkets (also called 'big-box store') are a combination of supermarket and convenience store respectively. a large number of items of different nature are stored in hypermarkets. Speciality stores, as the name signifies, are retail outlets that store special products like store for office items, school uniform outlets, men's apparel outlets and so on. Factory outlets are those type of retail outlets that store goods produced by a particular manufacturer only. For example, woodland store keeps items manufactured by woodlands only.



CHECK YOUR PROGRESS

Q 3: State two requirements of building a sustainable competitive advantage of retail firms.

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Q 4: Two types of non-store based retailing are: .....

and .....

Q 5: Retail format is divided into ....., ...

and .....

8.6 STRATEGIC RETAIL PLANNING PROCESS

Strategy is an integral part of all businesses because a business establishment takes up a strategic decision in order to survive in the cut throat competition today. with a boom in the retail industry, competition in this sector is tremendously significant and therefore retail firms need to adopt certain strategic in their decision making process. The following are the steps in strategic retail planning process:

a) **Defining the mission statement:** A retail firm need to clearly state its mission statement. A mission statement is an important aspect because it acts as a reminder regarding the reason for its existence that enables an organization to undertake a strategic decision.

b) **Conducting an audit:** It is imperative that a retail firm conducts an audit of the market conditions, external competitiveness and environmental factors so that correct decision can be taken. Such an audit will enable a retail firm to understand the tastes and preferences of the customers, the presence of rival firms and the strategies that they adopt and the political and situational factors.

c) **Identifying the strategic opportunities:** It is important for a retail firm to identify the strategic opportunities like the identification and creation of new markets before competitors, making its presence felt in the area and capture the most of market share.

d) **Evaluating alternative strategies:** It is necessary for a retail firm to evaluate the alternatives available before actually implementing the final strategy. This is necessary because strategies should be taken depending on the situation and evaluating them would make the retail firm arrive at the right decision.

e) **Establishing objectives and allocating resources:** Retail firms must establish the objectives and allocate resources in such a manner so that the work is completed within the stipulated time frame.

f) **Developing a suitable retail mix:** A retail firm must develop a suitable mix of product, price, place, promotion, people and physical evidence to implement its strategy. Product diversification strategy enables a

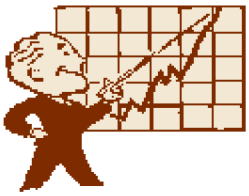
retail firm to meet the demand of the customers' well which is backed by an affordable pricing strategy so that the customers can afford to purchase the product. It is necessary that a retail firm is located at a convenient area so that customers can visit such stores. A retail outlet located in the interior place will certainly not attract customers as desired. There should be well trained personnel in retail outlet so that the customers can be guided while selecting the product. Retail outlets must provide a soothing experience for people of all standard. Thus today the retail outlets are competing with one another in order to develop a collective gamut retail mix.

g) **Performance Evaluation:** Evaluating the performance of the store is another important strategic retail planning process. This is because a proper self evaluation and customer feedback will enable the retail firm to understand its level of service in comparison to the competitors and thereby act accordingly in the future.

8.7 STRATEGY AT DIFFERENT LEVELS OF BUSINESS

Strategy is a very important aspect of an organization and it need to be implemented at different levels of business. Generally, any business has three different levels, viz; corporate level, business level and functional or operational level respectively. Though the strategies adopted at each of the levels are different but with a common objective of uplifting the organization.

The corporate level of any business is the top level managers who are responsible for planning, decision making and administrative matters like the type of business that the firm will operate in, its long term objectives, the distinctive competencies that it will develop and so on. The business level is basically the middle level managerial positions and is basically responsible for formulating and implementation. The operational or functional level consists of the functional heads who are responsible for formulating the strategies that would lead the organization achieve the marketing goals and in turn generate brand awareness.



CHECK YOUR PROGRESS

Q 6: State two steps in strategic retail planning process.

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Q 7: What are the three levels of business?

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8.8 LET US SUM UP

- Strategic decisions are taken in order to survive in the cut throat competition.
- Target Market, Identifying the customer needs, Retail format, Defending position against competitors are the elements of a retail strategy
- Building a sustainable competitive advantage is the essence of all retail firms
- The location of the store must be suitable for all types of customers. The store must be located within close proximity so that it is visible to all.
- The retail store must keep the merchandise depending on the need of the customers.
- A retail firm need to clearly state its mission statement.
- It is imperative that a retail firm conducts an audit of the market conditions, external competitiveness and environmental factors so that correct decision can be taken.
- It is important for a retail firm to identify the strategic opportunities like the identification and creation of new markets before competitors, making its presence felt in the area and capture the most of market share.

- Retail firms must establish the objectives and allocate resources in such a manner so that the work is completed within the stipulated time frame.
- Retail firms need to keep a close look in the prices offered by competing firms for their products and therefore set prices lower than its competitors.
- Strategy is a very important aspect of an organization and it need to be implemented at different levels of business.
- Any business has three different levels, viz; corporate level, business level and functional or operational level respectively



8.9 FURTHER READING

1) Varma Nidhi and Bajaj Chetan(2010), *Retail Management*.2nd edition, Oxford Univeristy Press

2) Gibson and Vedamani, G.(2017), *Retail Management*.



8.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Strategic decisions are taken in order to survive in the cut throat competition.

Ans to Q No 2: Target market and identifying customer needs are the elements of retail strategy.

Ans to Q No 3: Store location and merchandise are the requirements of building a sustainable competitive advantage of retail firms.

Ans to Q No 4: Two types of non-store based retailing are: telemarketing and direct marketing.

Ans to Q No 5: Retail format is divided into store based retailing, non-store based retailing and service retailing

Ans to Q No 6: Two steps in strategic retail planning process are defining the mission statement and conducting an audit.

Ans to Q No 7: Three levels of business are: corporate level, business level and functional levels



8.11 MODEL QUESTIONS

Q 1: Explain the elements of retail strategy

Q 2: Explain the requirements of building a sustainable competitive advantage of retail firms.

Q 3: Explain diagrammatically the retail format.

Q 4: What are the steps in strategic retail planning process?

Q 5: What strategies are taken at different levels of business?

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UNIT 9: RETAIL MERCHANDISING

UNIT STRUCTURE

9.1 Learning Objectives

9.2 Introduction

9.3 Understanding Merchandising Management

9.4 Activities of a Merchandiser

9.5 Retail Merchandise Management Process

9.6 Visual Merchandising

9.7 Store Signage

9.8 Let Us Sum Up

9.9 Further Reading

9.10 Answers To Check Your Progress

9.11 Model Questions

9.1 LEARNING OBJECTIVES

After going through this unit, you will able to:

- define Merchandising Management
- describe activities of a Merchandiser
- explain Retail Merchandise Management Process.

9.2 INTRODUCTION

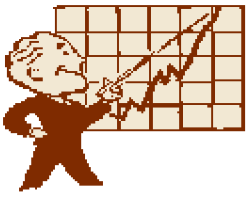
In this unit, we are going to discuss about retail marchandising.

Retail Merchandising refers to the various activities which contribute to the sale of products to the consumers for their end use. Every retail store has its own line of merchandise to offer to the customers. The display of the merchandise plays an important role in attracting the customers into the store and in prompting them to purchase as well.

Merchandising helps in the attractive display of the products at the store in order to increase their sale and generate revenues for the retail store. Merchandising helps in the sensible presentation of the products available for sale to entice the customers and make them a brand loyalist.

9.3 UNDERSTANDING MERCHANDISING MANAGEMENT

Merchandise management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operation. The process of merchandise management includes the developing of strategies to ensure that the right product is bought at the right price and is available at the right time, in the right amount, in order to satisfy the needs of the target customer. No one in retail can completely avoid any contact with merchandising activities. Merchandising is the day-to-day business of all retailers. As inventory is sold, new stock needs to be purchased, displayed and sold. Hence, merchandising is often said to be at the core of retail management. Merchandising traces its growth to the rise of organized retail in the world. Initially, as the retailers operated only one or two stores, the function of buying the merchandise, pricing it, etc., were much simpler. In many cases, the retailer did it himself. However, as retailers started adding stores and categories, the workload on the buyers increased significantly. Often, buyers had little information or time and they ended up using approximations based on sales volumes, to allocate merchandise between stores.



CHECK YOUR PROGRESS

Q 1: Define Merchandising Management

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Q 2: What is the prime objective of Merchandising Management

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Q 3: Define Retail Merchandising

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9.4 ACTIVITIES OF A MERCHANDISER

The activities of a merchandiser are:

i. Product Development: A retail merchandiser is the backbone of any retail outlet. He is mainly responsible for the smooth functioning of the retail outlet in terms of the timely availability of the products in the stores for the convenience of the customers.

ii. Market and Product analysis: The retail merchandiser has to conduct an analysis on the market conditions so as to understand the retail market and thereby meet the required amount of demand for the products.

iii. Selling the concept: The retail merchandiser must sell the concept of the product in terms of its features to the customer so that they understand the products better in terms of their need which will make them take a purchase decision.

iv. Booking orders: The retail merchandiser must also take due care to order for the required amount of products in shelves before their replenishment.

v. Confirming deliveries: The retail merchandiser must also need the ensure that the delivery of stocks are confirmed as per the ordered amount.

vi. Designing and sampling: The retail merchandiser must also need to design the products according to the need of the customers.

vii. Costing: The retail merchandiser must also take the costing of the products into consideration.

viii. Mediating product and quality departments: The retail merchandiser must also communicate constantly with the product and quality control departments for the ensuring that the products are quality oriented.

ix. Giving shipping instructions: For products that need to be exported, the retail manager must play the role of an instructor where they instruct for the timely departure of the shipping goods.

x. Helping documentation department: The retail merchandiser must also help the documentation department to carry out different administrative

related works as and when necessary.

xi. Taking responsibilities for inspection: To take the timely responsibility of inspection is also another important activity of the retail merchandiser.

xii. Following up the shipment: The retail merchandiser must also constantly follow up the shipment so that the products reaches the destinations on time.

9.5 RETAIL MERCHANDISE MANAGEMENT PROCESS

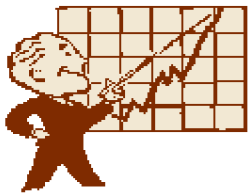
Steps in the Retail Merchandising Process

1. Develop the merchandise mix and establish the merchandise budget: The first step in retail merchandising process is to develop a merchandise mix comprising of the type of products that can be displayed according to the need of the customers, the price at which the customers can purchase the items, the location of the shelves so that it is visible to the customer and the ways to promote the items are to be taken into consideration. Moreover, the merchandiser must prepare a budget plan for the items that need to be ordered.
2. Build the logistic system for procuring the merchandise mix: The second step in the process is to build a proper logistics so that the items can be procured without any pilferage and reach the ultimate customers.
3. Price the merchandise offering: The merchandise should be priced keeping in view the purchasing capacity of the customers. Only when the merchandise is adequately priced then only it will be of demand in the market.
4. Organize the customer support service and manage the personal selling effort: It is important to organize the customer support services properly so that in case of any customer query it can be properly handled. Moreover, the personal selling team must be well trained and managed properly.

5. Create the retailer's advertising, sales incentive and publicity programs: There should be provision to advertise the merchandise and also to declare incentives so as to motivate the retailers and organise different publicity programmes.

Retail Merchandising is the process of developing, securing, pricing, supporting and communicating the retailer's merchandise offering. It means offering the right product at the right time at the right price with the right appeal. Retail merchandising requires management of the merchandise mix including:

1. Planning Merchandise Variety
2. Controlling Merchandise Variety
3. Planning Merchandise Assortment/Support
4. Controlling Merchandise Assortment/Support.
5. Merchandise Mix Strategies developing the merchandise mix allows the retailer to segment the market and appeal to a select group of consumers.



CHECK YOUR PROGRESS

Q 4: Write five activities of a merchandiser

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Q 5: What are the steps in Retail Merchandising Management Process

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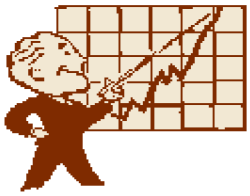
9.6 VISUAL MERCHANDISING

Visual merchandising is the non verbal communication that a retailer uses to communicate to its customers. It is the systematic presentation of the items in the store so as to persuade a prospective visitor in the store to be the ultimate customer. Visual merchandising is the process that makes a customer come close to the retailer and thus builds a connection between

them. For a retail store, having a merchandising in perfect order is more likely to invite people in large numbers which makes them to choose from a variety of items according to their requirements. A visual merchandiser must build a shopping friendly environment in the store that ensures the comfort of the customers.

9.7 STORE SIGNAGE

For the better comfort of the customers, it is necessary that every store has proper indication of the locations that would guide the customers while shopping. Proper store signage is very essential in case of retail so that the customers can follow to the shelves that contain their necessary items.



CHECK YOUR PROGRESS

Q 6: Define Visual Merchandising

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Q 7: Why is store signage necessary?

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9.8 LET US SUM UP

- Retail Merchandising refers to the various activities which contribute to the sale of products to the consumers for their end use.
- Every retail store has its own line of merchandise to offer to the customers.
- The process of merchandise management includes the developing of strategies to ensure that the right product is bought at the right price and available at the right time, in the right amount, in order to satisfy the needs of the target customer.

- Retail merchandising requires management of the merchandise mix including:
  - Planning Merchandise Variety
  - Controlling Merchandise Variety
  - Planning Merchandise Assortment/Support
  - Controlling Merchandise Assortment/Support.
  - Merchandise Mix Strategies developing the merchandise mix allows the retailer to segment the market and appeal to a select group of consumers
- A merchandiser has to perform a host of various activities right from product development to booking orders, confirming deliveries and following up the shipment.
- Visual merchandising is the non verbal communication that a retailer uses to communicate to its customers.
- A visual merchandiser must build a shopping friendly environment in the store that ensures the comfort of the customers.
- Proper store signage is very essential in case of retail so that the customers can follow to the shelves that contain their necessary items



9.9 FURTHER READING

1) Varma Nidhi and Bajaj Chetan(2010), *Retail Management*.2nd edition, Oxford Univeristy Press

2) Gibson and Vedamani, G.(2017), *Retail Management*.



9.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Merchandise management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments of a retail operation.

Ans to Q No 2: The prime objective of Merchandising Management includes

the developing of strategies to ensure that the right product is bought at the right price and available at the right time, in the right amount, in order to satisfy the needs of the target customer.

Ans to Q No 3: Retail Merchandising refers to the various activities which contribute to the sale of products to the consumers for their end use.

Ans to Q No 4: Five activities of a merchandiser are: Product Development, Market and Product analysis, selling the concept, Booking orders and confirming deliveries

Ans to Q No 5: The steps in Retail Merchandising Management Process are: developing the merchandise mix and establish the merchandise budget, building the logistic system for procuring the merchandise mix, price the merchandise offering, organizing the customer support service and manage the personal selling effort and creating the retailer's advertising, sales incentive and publicity programs.

Ans to Q No 6: Visual merchandising is the non verbal communication that a retailer uses to communicate to its customers. It is the systematic presentation of the items in the store so as to persuade a prospective visitor in the store to be the ultimate customer.

Ans to Q No 7: Proper store signage is very essential in case of retail so that the customers can follow to the shelves that contain their necessary items.



9.11 MODEL QUESTIONS

Q 1: Define Retail Merchandising

Q 2: Define Merchandising Management

Q 3: What are the activities of a Merchandiser?

Q 4: Discuss the steps in Retail Merchandising Management Process.

Q 5: Why is Visual Merchandising necessary?

Q 6: What is the importance of store signage?

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UNIT 10: RETAIL PRICING

UNIT STRUCTURE

10.1 Learning Objectives

10.2 Introduction

10.3 Factors Influencing Pricing

10.4 Pricing Strategies

10.5 Psychological Pricing

10.6 Mark-Up Pricing

10.7 Mark-Down Pricing

10.8 Let us Sum up

10.9 Further Reading

10.10 Answers to check your progress

10.11 Model Questions

10.1 LEARNING OBJECTIVES

After going through the unit, you will be able to:

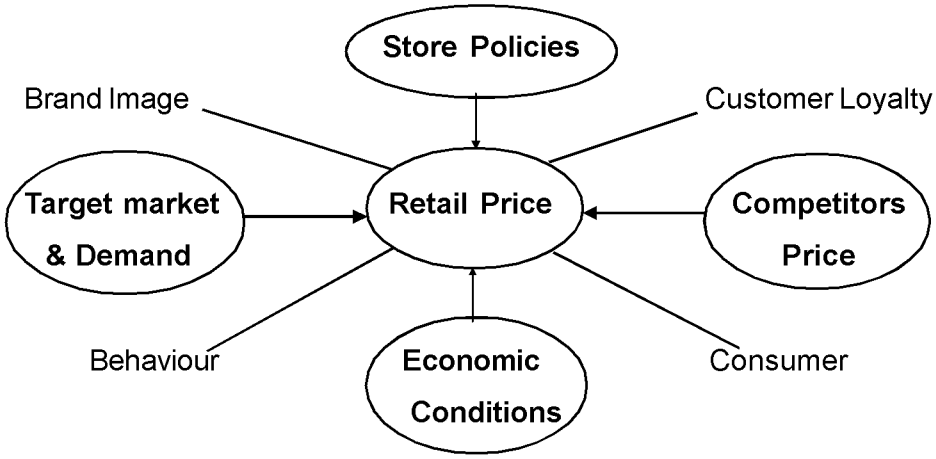
- define Retail Pricing
- identify factors Influencing Pricing
- explain the Pricing Strategies
- discuss Psychological Pricing
- explain Mark Up amd Mark Down Pricing

10.2 INTRODUCTION

In this unit, we will discuss about retail pricing. For years pricing has been considered as one of the most important elements of marketing mix as many marketers have focused on their pricing strategies to woo customers compared to various other elements of the mix. They have utilized pricing as a weapon to fight their competitors and to sustain in their respective industries. With the explosive growth of the young population in the country, their demand for exciting and value added shopping experience and the entry of foreign retailers in the country, retailers have understood that they

need to concentrate on all the elements of the marketing mix and have to approach pricing in a different way that will create clear cut differentiation and enhance customer footfalls at stores.

10.3 FACTORS INFLUENCING PRICING RETAIL PRICE

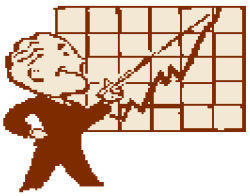


Price is an integral part of the retail marketing mix. It is the factor, which is the source of revenue for the retailer. The price of the merchandise also communicates the image of the retail store to the customers. Various factors like the target market; store policies, competition and the economic conditions need to be taken into consideration while arriving at the price of a product.

- The first factor to be taken into consideration is the demand for the product and the target market. Who is this product meant for and what the value proposition for the consumer is. In some cases, the price of the product is linked to the quality. This is generally in the case of products like electronics, where a high priced product is perceived to be of good quality. On the other hand, for products like designer clothing, a certain section of the population may be willing to pay a premium price. Hence, it is very essential that the buyer is clear about the target market for the producer and the value proposition that they would look for.
- The stores policies and the images to be created also influence the pricing of a product. Retailers who want create a prestige image may

opt for a higher pricing policy, while the retailer who wants to penetrate the market, may decide to offer a value for money proposition.

- Competition for the product and the competitor's price for similar product in the market also need to be taken into consideration. In case the product is unique and does not have any competition, it can command a premium prices on the other hand, in case there after a fair number of similar products in the market, the prices of such product need to be taken into consideration before fixing the price.
- The economic conditions prevalent at the times play a major role in the pricing policy. For example, during an economic slowdown, prices are generally lowered to generate more sales. The demand and supply situation in the market also affects Prices. If the demand is more than the supply, prices can be premium, however, when supply is more than the demand, prices had to be economical.



CHECK YOUR PROGRESS

Q 1: Factors influencing pricing decisions are

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Q 2: Pricing is important because

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10.4 PRICING STRATEGIES

There are seven pricing strategies generally adopted by retailers:

a) Market Skimming

This pricing strategy is often followed by retailers for goods or services that are new in the market and have heavy initial demand. Success of the pricing strategy depends on the degree of inelasticity of demand for the good or service in the market. The strategy is applied for those products where there are a number of entry barriers for marketers in a particular industry.

b) Market Penetration

Prices of products are kept low initially for wooing the customer footfalls and trigger large volume of purchases. The strategy works well when demand for products is highly elastic and economies of scale are possible. The strategy is in demand in markets that are fiercely competitive. For example, retailers dealing in FMCG often resort to this strategy for certain product categories.

c) Price Bundling

When unrelated or closely related products are bundled together and sold as one unit at an attractive rate it is called price bundling. Products are sold as packages. For example, fast food retailers, hardware retailers, travel and tourism retailers often resort to price bundling so as to differentiate their offerings.

d) Leader Pricing

A pricing strategy that establishes a benchmark of sorts in a particular industry. The price-value equation is such that it inspires the other entities in the industry to imitate and follow similar strategies.

e) Multi-unit Pricing

When retailers offer discounts to customers buying in large quantities or buying items in multiple units, it is referred to as multi-pricing. The strategy is often successfully applied on products that are slow moving. For example, offering four shirts for the price of three or three shirts being sold at the price of two.

f) Every Day Low Price (EDLP)

When retailers continuously offer their merchandise at prices lower than those of their competitors, the pricing strategy is called every day low price or EDLP. In this scenario, the customers do not need to wait for sale or special discounts to seek products at cheaper rates. EDLP is mainly employed to attract price sensitive customers. For example, the retail giant Wal-Mart adopts the EDLP strategy.

g) Psychological Pricing

This is a market based approach to pricing where prices are set at a level which seems attractive to customers. This pricing strategy is

employed in those cases where purchases are based on emotions rather than rational response. There are three forms of psychological pricing viz; comparison or reference pricing strategy, prestige pricing strategy and odd-even pricing strategy.

10.5 PSYCHOLOGICAL PRICING

This is a market based approach to pricing where prices are set at a level which seems attractive to customers. This pricing strategy is employed in those cases where purchases are based on emotions rather than rational response. There are three forms of psychological pricing viz; comparison or reference pricing strategy, prestige pricing strategy and odd-even pricing strategy.

i. Reference Pricing:

Reference price is the price against which customers compare the actual selling price of a product which facilitates better evaluation process. Often the retailer provides an external reference price which is higher than the selling price. The external reference price provided is termed 'original price' or 'regular price'. It is felt that when customers compare the regular price with the selling price, their perception of value gets enhanced. For example, outlets dealing in FMCG and grocery products like Food Bazaar are often found to promote their merchandise through reference pricing.

ii. Prestige Pricing

Prestige pricing is followed in cases where customers generally hold the opinion that higher the price of a product better is its quality. Retailers dealing with lifestyle products like perfumers, leather bags, gems adopt prestige pricing as they find that higher prices impart a distant identity and cult status to products.

iii) Odd even Pricing

Odd even pricing is about setting prices that end in certain numbers that are either odd or even. Odd numbers are more common and there is a particular pattern in which prices are set. For example, products selling below Rs.50 often end in numbers like 9 like Rs.49. For higher priced products, prices like Rs.99, Rs.199 etc are often observed. Retailers found

that customers react better to such pricing as they perceive such prices 'substantially' lower than the next higher even price.

10.6 MARK-UP PRICING

Mark up is the difference between the cost of the product and its final selling price. It is expressed either in rupees or as percentage. Mark up involves two components viz; initial mark up and maintained mark up. There are basically three reasons for computing mark up: psychological reasons, comparison reasons and inventory reasons. Mark up is calculated either on cost price or on selling price.

Let us consider an example for calculating mark up:

Question: Mr. X pays Rs. 100 for a toy to be sold in his store. He wishes to sell it at a price of Rs. 175. Calculate the mark up on cost and on retail selling price.

Solution: Sale Price = Rs.175

Cost Price = Rs 100

Mark up (% on cost) = (175-100)/100 = 75%

Mark up (% on retail selling price) = (175-100)/175

= 42.86%

Initial mark up is the difference between the retail selling price initially placed on the merchandise and the cost of goods sold.

Initial mark up = Initial retail selling price – Cost of goods sold

Maintained mark up refers to the amount the retailer expects to make on the actual sale of merchandise and the cost of goods sold.

Maintained mark up = Actual sales – Cost of goods sold

For example: if a retailer wants to make a mark up profit of Rs. 62,000 on sales of Rs. 1,20,000, the maintained mark up if expressed in percentage will be:

(62,000/1, 20,000) x100 = 51.67%

10.7 MARK DOWN PRICING

Mark down refers to the downward adjustments in retail selling price. Mark downs are always calculated as a percentage of the retail selling price:

Mark down % = Original Price – Reduced price

There are several reasons for mark downs being offered by the retailers. Buying related causes, selling related causes and operation related causes are prominent among them. Assortment errors, delay in shipment, misjudgement of product quality and supplier offering late, incorrect or damaged shipments are some of the factors involving mark downs arising from buying related causes.

Mark downs, however offer certain tangible benefits to retailers:

a. Increase in customer footfalls
b. Increase in sales.
c. Generate cash flows to pay new merchandise
d. Triggers sale of complementary products
e. Helps a showroom to get rid of excess, unnecessary, idle or damaged stock.

Let us consider an example for calculating mark down:

Question 1: An item originally priced at Rs. 55 is marked 25% off. What is the sale price?

Solution: Price = Rs. 55

Markdown = 25% of price

= (0.25) x55 = 13.75

Sale Price = CP – markdown

= 55 – 13.75

= 41.25 So, the sale price is Rs. 41.25

Question 2: An item that normally sells for Rs. 425 is marked down to Rs. 318.75. What is the discount/markdown rate?

Solution: SP = Rs. 425

Markdown = 425 – 318.75

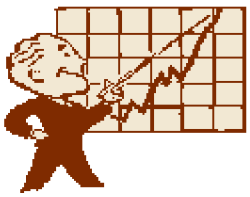
= 106.25

Let us assume, 106.25 = (X) 425

Relative Markdown = 106.25/425

= 0.25

The Markdown rate is 25%.



CHECK YOUR PROGRESS

Q 3: How many pricing strategies are generally adopted by retailers?

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Q 4: Define Psychological pricing.

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Q 5: Define Mark-up pricing.

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Q 6: Define Mark-down pricing.

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10.8 LET US SUM UP

- Pricing is considered as one of the most important elements of marketing mix as many marketers focus on their pricing strategies to woo customers compared to various other elements of the mix.
- Market Demand, Store Policies, Competitor's Price and Economic Conditions are the factors which influences pricing.
- There are seven pricing strategies namely, Market skimming, Market penetration, Price bundling, Leader pricing, Multi-unit Pricing, Every Day Low Price and Psychological Pricing.
- Psychological pricing is a market based approach to pricing where prices are set at a level which seems attractive to customers. This pricing strategy is employed in those cases where purchases are based on emotions rather than rational response.
- There are three forms of psychological pricing viz; comparison or reference pricing strategy, prestige pricing strategy and odd-even pricing strategy.

- Mark up pricing is the difference between the cost of the product and its final selling price. It is expressed either in rupees or as percentage.
- There are basically three reasons for computing mark up: psychological reasons, comparison reasons and inventory reasons.
- Mark down refers to the downward adjustments in retail selling price.
- Mark downs are always calculated as a percentage of the retail selling price:
- Mark down % = Original Price – Reduced price



10.9 FURTHER READING

1) Varma Nidhi and Bajaj Chetan(2010), *Retail Management*.2nd edition, Oxford Univeristy Press

2) Gibson and Vedamani, G.(2017), *Retail Management*.



10.10 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Factors influencing pricing decisions are: target market and demand, store policies, competitors price and economic conditions.

Ans to Q No 2: Pricing is important because it is a source of revenue for the retailer and communicates the image of the retail store to the customers.

Ans to Q No 3: There are seven pricing strategies generally adopted by retailers.

Ans to Q No 4: Psychological pricing is a market based approach to pricing where prices are set at a level which seems attractive to customers. This pricing strategy is employed in those cases where purchases are based on emotions rather than rational response.

Ans to Q No 5: Mark up is the difference between the cost of the product and its final selling price. It is expressed either in rupees or as percentage. Mark up involves two components viz; initial mark up and maintained mark up.

Ans to Q No 6: Mark down refers to the downward adjustments in retail selling price.



10.11 MODEL QUESTIONS

Q 1: What is the importance of Pricing in modern context of retail marketing?

Q 2: Explain diagrammatically, the factors that influence pricing.

Q 3: Write notes on:

i) Market Skimming

ii) Market Penetration

iii) Price Bundling

iv) Leader Pricing

v) Multi-unit Pricing

vi) Every Day Low Pricing

Q 4: Define Psychological Pricing. Discuss the different forms of Psychological pricing.

Q 5: Define Mark Up Pricing. Mr. Sharma pays Rs. 300 for a toy to be sold in his store. He wishes to sell it at a price of Rs. 350. Calculate the mark up on cost and on retail selling price.

Q 6: Define Mark Down Pricing. An item originally priced at Rs. 75 is marked 45% off. What is the sale price?

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UNIT 11: INTERNATIONAL RETAILING

UNIT STRUCTURE

11.1 Learning Objectives

11.2 Introduction

11.3 Reasons for Going Global

11.4 Benefits of Going Global

11.5 International Market Entry Methods

11.6 Opportunities of Going Global

11.7 Let Us Sum Up

11.8 Further Reading

11.9 Answers To Check Your Progress

11.10 Model Questions

11.1 LEARNING OBJECTIVES

After going through the unit, you will be able to:

- define International Retailing
- explain the reasons for going global in Retailing
- know about the benefits of going global
- describe the international Market entry methods
- learn about the opportunities of going global.

11.2 INTRODUCTION

International trade and commerce has existed for centuries and has always played a very important part in the World History. However, International Retailing has been in existence and has gained ground in the past two to three decades only. The economic boom in several countries, coupled with globalization, has given way to organisations looking at setting up retailing across borders. The advent of internet and multimedia has further changed the dimensions as far as International Retailing is concerned. Ever since International Retailing started getting recognition in the industry, several academicians as well as industry experts have tried

to come up with an exact definition of the term. The attempt to define International Retailing raised a legitimate question as to what exactly the retailers were internationalizing. Unless the correct fact was established, there could be no right definition. Some asked if the companies internationalised their management systems, management expertise or the brands.

The famous International Business researchers Johanson and Wiedersheim-Paul who had studied the growth of Swedish companies suggested that the term 'International' can be attributed to the business orientation, the management style and management orientation. They further elaborated that in the first instance the companies began exporting products to other countries and further growth of business entailed setting up manufacturing facilities in the foreign countries. Though this might have been the trend seen in manufacturing organisations, the same has not been totally accepted in the retail sector. When one refers to International Retailing, there are several dimensions of the trade that needs to be considered before attempting to come up with an apt description of the business. First and foremost is the invisible aspect of financial investments. Companies get into joint ventures and invest in the foreign retail company with or without management control. Secondly, we must look at the areas where the retail company is transferring knowledge or processes to the new set up.

International retailing can be defined as all those activities involved in selling products and services to final international customers for their personal consumption. According to the Wharton School of Business at the University of Pennsylvania, the international retail market includes all buyers and sellers, regardless of their location throughout the world.

11.3 REASONS FOR GOING GLOBAL

The following are a few reasons for domestic retail companies to operate overseas:

1) **Increasing sales and profitability :** With the domestic markets getting saturated retail firms are eyeing on the global markets in

order to boost its sales and earn profit. Operating in global market will enhance sales considering the fact that the demand is comparatively higher.

2) **Entering new markets :** Domestic retail companies are constantly making an attempt to enter into new market because a new market brings with it new opportunities for expansion and also the demand for products are high.

3) **Creating job opportunities :** Opening up of a retail firm in a foreign land will boost employment opportunities as well for the locals thus leading to a decline in the rate of unemployment.

4) **Offset slow growth in home market :** Another reason for operating in a foreign land is because the rate of growth in the home country is considerably slow.

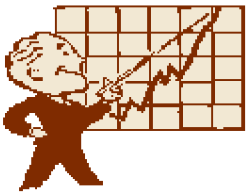
5) **Outmanoeuvring competitors :** In this age of competition, firms are competing with each others for their survival and in this regard domestic retail companies operate overseas in order to outperform their competitors for survival.

6) **Enlarging the customer base :** Retail firms operating in the foreign land will imply that the customer base has widened up and therefore there is an increase in the demand for domestic products in the foreign country.

7) **Exploring untapped markets with the power of the Internet :** Today is the age of the internet and such a sophisticated technology has enabled the retail firms to explore the untapped foreign market and meet the customers' demand.

8) **Making use of excess capacity off-season :** During the off-season, the retail firms tend to dispatch the old stock at a discounted rate in order for stock clearance and make shelf spaces for the new stocks.

9) **Travelling to new countries :** Operating in a new country also make the people associated with the domestic firm the opportunity to travel to different locations and gain new experiences.



CHECK YOUR PROGRESS

Q 1: What is the main cause of retailing across borders?

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Q 2: Define International Retailing

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Q 3: State four reasons for domestic retail companies to operate overseas.

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11.4 BENEFITS OF GOING GLOBAL

The following are the most common advantages involved with expanding the retail business on an international scale:

1) **New Revenue Potential :** Expanding a retail business would provide an opportunity to earn more revenue and hence profit for the organization.
2) **The Ability to Help More People :** Opening up of a retail firm would mean that more people are getting benefitted for it in the form of employment and self dependence.
3) **Greater Access to Talent :** New talents can be discovered as a part of expansion of a retail firm on a international scale as different people across different countries have diversified talents which can be of immense benefit for the organization.
4) **Learning a New Culture :** Operating in a foreign land provide an opportunity to learn the culture of that country which later adds value to the business.
5) **Exposure to Foreign Investment Opportunities :** More amount of foreign investment can be expected s a result of operating internationally.
6) **Improving the Company's Reputation :** The retail company

operating internationally have the opportunity gain international reputation and there is every possibility that its name spreads far and wide.

7) **Diversifying Company Markets :** Operating internationally make a retail company the opportunity to diverse into different product lines and thereby providing higher scope for getting acclamation and growth.

11.5 INTERNATIONAL MARKET ENTRY METHODS

The following are the methods of entering international market:

1) **Exporting :** By exporting the products produced in the domestic market, a domestic firm can tend to enter into the foreign market. E.g India producing tea and exporting it to different countries.

2) **Licensing :** By obtaining the legal permission to operate in a foreign land by the obtaining a valid license is also another method of entering into a foreign land.

3) **Franchising :** Another way of entering into a foreign land and operate there is to take up a franchise of the company there and operate. E.g. Dominos Pizza , KFC in India

4) **Turnkey projects :** In case of turnkey projects, the retail firms prepare the products as per the requirements of the people of the overseas market so as to fulfil the demand and thereby make its presence felt in international market.

5) **Wholly owned subsidiaries (WOS) :** A domestic firm can wholly own a foreign firm that is not functioning properly or is making a loss and thus enter a foreign country.

6) **Joint venture :** A domestic company and a foreign company can enter into an agreement to operate together for increase in productivity and as a survival strategy method thus entering a foreign land.

7) **Strategic alliance :** A domestic company having an expertise in a related area of operations can enter into a strategic alliance with a foreign company so as to assist the foreign company enhance its business. Thus a domestic company can thereby enter into a foreign land.

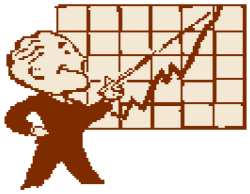
11.6 OPPORTUNITIES OF GOING GLOBAL

The following are the opportunities in global retailing

1) **Rising emerging market demand and rise of global middle class :** The size of the global middle class is expected to triple between now and 2030.
2) **New marketing channels and social media :** Across the world, the number of people with regular access to the internet has increased dramatically.
3) **Competitive differentiation via CSR and green branding :** The global financial crisis, instead of shifting focus away from corporate social responsibility (CSR), seems to have made it more of a priority. Almost three in four companies in the retail sector consider CSR "as a must."
4) **Multichannel approaches :** The growth of e-commerce and m-commerce, and the recent rapid shifts in consumer behavior, have increased the benefits for retailers that can stay in touch with consumers through multiple channels.
5) **Demographic changes :** Demographic changes — aging and migration, for example — are leading to rapid growth in specific market segments. Individuals in developed countries are increasingly seeking to deny the aging process.
6) **Private Label :** The recent recession has increased the sales of private label goods, and many consumers report that they will remain loyal to these brands. Retailers have embraced this opportunity by introducing tiered brands for different income brackets and shopper needs.
7) **Launching new products and services :** Consumer behavior is changing, and constant innovation of products and services from retailers is required as a result.
8) **Global urbanization :** Higher consumer incomes and increased customer concentration will present considerable opportunities for the retail sector.

9) **Competitive differentiation via local branding :** There are significant benefits to local sourcing of products; they are often healthier, fresher and more environmentally friendly.

10) **Enhancing efficiency in the supply chain :** The supply chain presents a significant opportunity for retailers to reduce inefficiencies and compete on cost, which is increasingly crucial as companies in low-growth consumer markets battle for market share.



CHECK YOUR PROGRESS

Q 4: State three Benefits and Opportunities each of going global.

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Q 5: What are the methods of entering International market?

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11.7 LET US SUM UP

- International retailing can be defined as all those activities involved in selling products and services to final international customers for their personal consumption.
- According to the Wharton School of Business at the University of Pennsylvania, the international retail market includes all buyers and sellers, regardless of their location throughout the world.
- Domestic retail companies to operate overseas for increasing their sales and profitability, ample job creation, outmanoeuvring competitors, exploring untapped markets, maximising its customer base etc.
- There are a number of advantages involved with expanding the retail business on an international scale. Few are potential for more

revenue, greater access to talent, expose to new culture and tradition, diversifying markets etc.

- Methods of entering international market are exporting, licensing, franchising, turnkey projects, wholly owned subsidiaries (WOS), difference between international strategy and global strategy, joint venture and strategic alliance.



11.8 Further Reading

1) Varma Nidhi and Bajaj Chetan(2010), *Retail Management*.2nd edition, Oxford Univeristy Press

2) Gibson and Vedamani, G.(2017), *Retail Management*.



11.9 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: The main cause of retailing across borders is to generate more revenue and job creation.

Ans to Q No 2: International retailing can be defined as all those activities involved in selling products and services to final international customers for their personal consumption.

Ans to Q No 3: The reasons for domestic retail companies to operate overseas are: Increasing sales and profitability, entering new markets, creating job opportunities and offset slow growth in home market.

Ans to Q No 4: Benefits:

a) New Revenue Potential, b) Greater Access to Talent and c) Exposure to Foreign Investment Opportunities.

Opportunities:

a) Rising emerging market demand and rise of global middle class,

b) New marketing channels and social media and c) Global urbanization

Ans to Q No 5: The following are the methods of entering international market:

1) Exporting.
2) Licensing.
3) Franchising.
4) Turnkey projects.
5) Wholly owned subsidiaries (WOS)
6) Difference between international strategy and global strategy.
7) Joint venture.
8) Strategic alliance.



11.10 MODEL QUESTIONS

Q 1: Define International Retailing

Q 2: Discuss a few reasons for domestic retail companies to operate overseas.

Q 3: Explain the opportunities of going global.

Q 4: Explain the benefits of retail companies operating in overseas market.

Q 5: What are the International market entry methods for retail companies?

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UNIT 12: E-TAILING

UNIT STRUCTURE

12.1 Learning Objectives

12.2 Introduction

12.3 E-Tailing

12.4 Role of Technology in Satisfying Market Demand

12.5 Technology in Retail Marketing Decisions

12.6 Structure and Developments in E-Tailing

12.7 Factors Influences the growth of E-Tailing

12.8 Advantages and Disadvantages of E-Tailing

12.9 Future of Electronic Retailing

12.10 Let Us Sum Up

12.11 Further Reading

12.12 Answers To Check Your Progress

12.13 Model Questions

12.1 LEARNING OBJECTIVES

After going through this unit, you will be able to:

- define e-tailing and the difference between e-commerce and e-tailing and also the difference between brick and motor retail and e-tailing
- explain the role of technology in satisfying market demand
- discuss the application of technology in retail marketing decisions
- describe the patterns of e-tailing
- explain the factors influencing the growth of e-tailing
- state the advantages and disadvantages of E-Tailing
- discuss the future of electronic retailing.

12.2 INTRODUCTION

In the Retail Industry there is an ample of scope to use technology to redefine businesses and to bring about a revolutionary change in the delivery process and the overall approach towards doing business. The investments

in technology are quite expensive and the need of technology varies depending upon the size and ability of the retailer.The potentiality of retailer to seize the backward and forward linkage, its capability to leverage people and managerial talent and the overall business strategy decides the technological need to be adopted by the business. The retail industry had been an early adapter of information technology and has effectively harnessed the power of technology.The wide spread of internet has made phenomenal changes in the retail industry. It has helped the retailers to reach into the homes of the customers and suppliers in market place where they do not have a physical presence.The sale of goods and services through internet and other electronic form of commerce has formed a new form of retailing known as *E-Tailing*. The term 'E-Tailing' is the short form of 'Electronic Retailing' and is a subset of electronic commerce.

12.3 E-TAILING

Definition of E-Tailing- E-Tailing is a form of retailing which involves selling of goods and services utilizing the internet and other electronic channels. It is the abbreviated version of 'Electronic Retailing'. In simple words, it is the activity of selling retail goods on the internet. Examples of *e*-tailers are amazon.com and ebay.com where customers directly buy goods and services over the internet.

Thus, e-tailing is the electronic form of retailing that is growing at a rapid pace over the years. With the spread of internet the electronic form of retailing has gained momentum which has helped retailers to expand their reach to homes of customer. The growing popularity of e-tailing is its ability to offer a large basket of products to the customers. For instance the largest physical book store chain 'Barnes and Noble' offers 20,000 books whereas 'Amazon' at any point of time offers 4 million books. Apart from the wide range of products in e-tailing customers also have the advantage to shop at any time of the day according to their own convenience.It also enables customers to compare product features, prices, and other details by considering the offerings of various other online retailers. In today's age,

where customers have shortage of time, e-tailing is becoming more viable.

The concept of *e*-tailing gained momentum since 1990's but at the initial phase due to poor business execution it failed to have the desired results. The concept of e-tailing seemed to be a lucrative idea to earn higher profit with reduced capital expenditure. E-tailers had the thought that huge number of buyers will search for products online and this will result in high amount of profit but plans didn't work accordingly. The lack of marketing and retailing expertise resulted in the failure of E-Tailing in the initial stage. E-Tailers realized that in order to be successful it is important to integrate all aspects of retailing into the web strategies. Thus e-tailing should aim at creating sales, manage additional retail functions like buying and logistics, finding new retail markets and so on. E-Tailing is growing at a rapid rate due to advancement in web services and has been a powerful tool in managing retail functions and providing customer satisfaction by providing the desired products and services.

Comparison between E-tailing and E-commerce:

Although the terms e-tailing and e-commerce are often used synonymously but there lies a significant difference between the two. E-tailing is a specialized form of E-commerce.The major difference between e-tailing and e-commerce is that e-tailing is the process of selling retail goods over the internet whereas e-commerce deals with commercial transaction using electronic means though internet. Thus e-commerce is a broader concept and e-tailing is a part of e-commerce. The differences between the two are discussed below:-

Parameters	E-Tailing	E-Commerce
Meaning	E-Tailing involves selling retail goods through the internet where customers can purchase goods and services.	E-Commerce involves commercial transaction through electronic medium using internet which includes electronic funds transfer, internet marketing and online transaction processing.

Nature	E-Tailing is a narrower concept. It includes only Business-to-Consumer (B2C) segment whereby the business sells goods to the consumer.	E-Commerce is a broader concept.It includes all the 4 segments of business, namely, B2C, B2B, C2C, and C2B.
Markets	United States dominate the business of e-tailing.	China dominates the market of e-commerce.

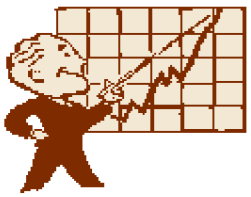
Thus it can be summarized that both e-commerce and e-tailing are related to each other and there exist a relationship between the two but they are quite different based on the range of services provided by them.

Distinction between traditional brick and motor retail and e-tailing:

Brick and Motor means the physical presence of an organization in forms like building or other structure.The most basic difference between traditional brick and motor retail and e-tailing is the venue used. Where in e-tailing, cyber space is used to reach the customers in the tradition brick and motor retail a physical location is used. The following table shows the difference between the two forms of retailing:

Parameter	Brick and Motor Retail	E-tailing
Location and Presence	There is a physical location.	The location is a web address which can be accessed globally through internet connection.
Merchandising	Store space is used.	Web page layout is used.
Promotional Activity	Promotional campaigns are implemented on daily basis.	Promotional activities are implemented instantly.
Inventory options	Products have to be available at multiple stores.	Multiple inventory ownership options.

The use of internet in retailing has helped to bring revolutionary changes in managing retail functions. It has helped to provide customers with information about various products and services as well as satisfying them by providing their desired goods. E-tailing helps customers to track orders, inquire about orders and check for items on back order.



CHECK YOUR PROGRESS

Q 1: Define E-Tailing?

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Q 2: What is the difference between E-Tailing and E-Commerce?

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12.4 ROLE OF TECHNOLOGY IN SATISFYING MARKET DEMAND

Technology plays a very important role in satisfying market demand by providing right information at the right time which helps in useful decision making. Retailers have started to acknowledge the importanceof technology in gaining competitive advantage in the market place. It helps them to evolve in the market place through enhanced speed and flexibility.The roles played by technology are discussed below:

i. **Efficient Stocking of merchandising:** Technology plays a very important role in collection and transmission of information. The sales trend can be analyzed to avoid stock out. Sales analysis can be done to assist in decisions regarding replenishment, re-ordering and merchandising planning.This is more valuable for products having a short life cycle.

ii. **Collection of data:** Technology helps in the collection of data regarding customer behavior, purchase patterns, frequency of buying etc. This helps retailers to find out the loyal customers and reward them with free merchandise and gifts. Information gathered about customers also reveal many important aspects like the brands they prefer which

can be used for further communication with the customers regarding promotional offers and new product launch etc.

iii. **Efficiency in operations:** Technology plays a very important role in integrating various market functions. The investment in technology is huge in terms of money but the benefits derived are manifold. Technology enables in making the process automatic which reduces the amount of time needed. For instance, manual billing takes longer time than scanning of items using point of sales system.

iv. **Helpful in communication:** The use of technology enables communication to be faster and easier. It enables businesses to stay connected irrespective of the distance. Retailers can stay connected with suppliers and other outlets in 7 days a week and24 hours a day. Electronic Data Interchange (EDI) can be used to communicate with vendors and suppliers.

v. **Global Data Synchronization:** With the use of technology like radio frequency identification/ electronic product coding has helped retailers to use real time data to track inventory levels as well as helps the company to track its products from manufacture through entire supply chain.

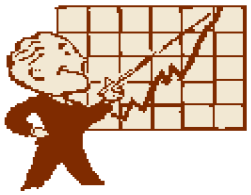
vi. **Customer Service:** Customer service in today's age is very essential and technology has been playing a dominant role in delivering customer service. With the use of machines like self help kiosks, the frustration of customers in standing in long lines goes away and satisfaction of customers increases.

Technology has been like a boon in the modern days to carry out business effectively. It helped data to be made available on a daily basis. This assisted in tracking of sales on a regular basis which enables the efficient management of inventory. Various issues like non availability of goods, outdated products and lack of knowledge regarding customer's preferences is solved with the efficient use of technology.

For instance, Wal-Mart by the help of technologyspends 2 cents per dollar less on distribution when the industry average was 5 cents on distribution. Thus Wal-Mart could sell its products for 3 per cent less than

other retailers and still earn same profit margin. Wal-Mart invested in Radio Frequency Identification (RFID)microchipswhich helped products to be tracked from production line to showrooms to customer's home. Such technologies help in management of inventories and making products available for customers thus satisfying the needs of the market.

The need of technology largely depends on the size and spread of the organization. With the expansion of business the range of products, number of stores etc increases which makes it difficult to be managed manually. Technology helps in gathering information in such crucial scenarios and makes information available at the right time, at the right place to the right set of people. Now-a-days the market demands are changing frequently and markets are growing at rapid pace.Thus in order to cope with the ever changing market environment deployment of technology in business is essential.



CHECK YOUR PROGRESS

Q 3: How technology helps in efficient stocking of merchandise?

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Q 4: What is the role of technology in managing retailing business in today's era?

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12.5 TECHNOLOGY IN RETAIL MARKETING DECISIONS

The importance of technology in retail is immense and over the years this technological applications has developed. It has made a huge impact on how retail business is conducted.

Application of Technology in Retail Marketing Decisions:

Some of the applications of technologies in retail marketing decisions are discussed below:

i. **Electronic Data Interchange (EDI):** Electronic Data Interchange is defined as the exchange of business information through computers using standard interface. It helps in the transfer of business data between organizations in a computerized format. Through EDI purchase orders can be send to suppliers via electronic medium. Such technology saves time as data is transmitted immediately and also reduces manual errors. It also helps in decreasing the cost of paper handling, filling storage and manual cost and aids in strengthening the relationship between retailers and suppliers.

ii. **Radio Frequency Identification (RFID):** The technology of Radio Frequency Identification (RFID) has changed the way business is conducted and monitored across the supply chain. It is a wireless barcode that provides wireless communication between the objects and readers. It helps to track products and shipments in realtime. Apart from tracking it also helps in supervising the performance of employees within the store and helps them to be more productive by providing transaction histories, enabling tracking of customer's profile, information regarding level of stock etc.Retailers like Wal-Mart and Metro have made RFID popular by using such technologies and reaping the benefits out of it. Since 1990's RFID was not prominently used due to lack of technology. But when giant retailers like Wal-Mart made it mandatory for suppliers to tag shipments with RFID tags and benefitted by its use, RFID became quite popular.

iii. **Customer Relationship Management (CRM) Software:** Building relationship with customer is the key to successful business in today's era.CRM software is an essential tool to achieve customer loyalty. It enables businesses to track customers, identify market segments and communicate with customers through various electronic medium. Such software plays a very important role in taking retail decisions.

iv. **Point of Sale (POS) and Inventory Control Software:** This software helps to track sales which provide information regarding the conduct of business.It is an electronic system for capturing data at the point of sale. It is replacement of the cash register. It helps in the management

of inventory as well as improving customer service. It shows where money is being made and where it is lost so that adjustments can be made in order to increaseprofits. It simplifies task by automatic bookkeeping and doing many other retail functions.

v. **Retail Accounting Software:** This software help in producing financial statement analysis and to know the performance of business. This accounting application eases the accounting work and helps in keeping track of the financial health of the business which finally helps in taking retail decisions.

Factors affecting the use of technology in retail:

Although a lot of technological advancement has taken place in order to enhance retail functions but there are a few important factors that needs to be taken into consideration. They are:-

a. **Scale and Scope of operation:** The size and scale of business operations plays a very important role in the kind of technology to be used. The importance of the use of technology is less in small retailers compared to big retailers who operate in national and international level.

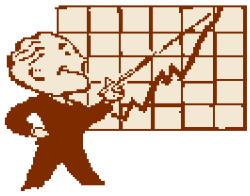
b. **Availability of funds:** Technology involves a huge investment in terms of money and resources available with the business play an important role in the use of technology. the investment in the right and appropriate technology is very crucial for the growth and success of any business.

c. **Nature of the business:** The nature of the industry plays a very important role in deciding the use of technology. For instance fashion industry needs frequent update on the changes of customer buying patterns than consumer durable industry.

d. **Availability of Human Resource:** Along with the introduction of technology it is also important to train people to use such technologies. If proper training is not provided then it can become a reason for downfall rather than adding advantage.

Thus all the recent developments in technology have helped to make important data available and useful information is extractedfrom the application of these technologies. It helps to identify new market segments

and study the buying patterns of customerswhich help in taking important retail decisions like promotional campaigns and offering value as perceived by customers.



CHECK YOUR PROGRESS

Q 5: What is Electronic Data Interchange?

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Q 6: What is Radio Frequency Identification (RFID)?

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12.6 STRUCTURE AND DEVELOPMENTS IN E-TAILING

There are several patterns of e-tailing emerging that are the strategic options available for digitalization before organizations. There are also many ways to categorize these patterns. One of the popular ways of explaining the different patterns of e-tailing refers to five patterns as below:

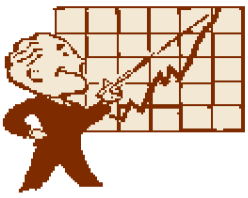
1. **E-channel pattern:** this refers to the chain of relationships between companies and customers and between companies and their partners/ resellers. Four business models are possible in e-channel pattern: transaction enhancement (providing information in a presale format), e-channel compression (using technology to reduce, through disintermediation, the number of steps in the channel),e-channel expansion(lengthen the channel by adding their brokering functionality) and e-channel innovation(develop new channels to satisfy unmet customer needs).
2. **Click-and-brick pattern:** 'Brick and mortar' firms are traditional organizations. Click and order are the new types of organizations that rely on information technology. When the traditional business adopts some aspects of the new types of organizations or the reverse happens, it is known as the click and brick pattern.

3. **E-Portal pattern:** Portals are intermediaries offering an aggregated set of services for a specific, well-defined group of users. Yahoo! is an example of a portal. Portal owners position themselves between the suppliers and customers. By doing so, they may offer value added services or decrease transaction costs between the suppliers and customers. The business model could be: eyeball aggregators or super-portals (Yahoo!), auction portals (e-bay) or mega-transactions portals (e.g. Expedia).
4. **E-market maker or Net market pattern:** This is an online intermediary that connects disparate buyers and sellers within a common vertical industry, such as chemicals or steel. Net markets eliminate marketing channel inefficiencies by aggregating offerings from many sellers or by matching buyers and sellers in an exchange or an auction. There are several business models such as exchanges, virtual distributors, lead generation, catalogue aggregators, auctions and reverse auctions.
5. **Pure e-digital products pattern:** Many products or services can be produced, delivered, consumed and licensed electronically. Several business models are emerging such as digital media, delivery such as music downloads, mobile commerce, content delivery, caching services and outsourcing services for hosting services.

Developments in E-Tailing:

The developments in e-tailing depend upon the essential factors like speed of delivery, connectivity with the customers, communication, location of warehouse etc. Thus one has to study the e-retail marketing mix to know about the developments in e-tailing. The e-tailing marketing mix consists of three important elements they are convenience, speed of delivery and cost. These elements are the most important factor in the success of e-tailing. Efficiency in dealing with customers right from the beginning from the time one logs in to the time the order is placed is the main forte in the success of e-tailing. In order to see e-tailing as a successful and flourishing business venture it is very essential to see internet as a strategic tool rather than a mere addition to technology. The strategy of e-business should be in line with the vision. The activity of building up an online retail store is as difficult

as building a physical store and thus proper emphasis should be given to the functioning and development of e-tailing through proper use of technology.



CHECK YOUR PROGRESS

Q 7: What is Click-and-brick pattern?

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Q 8: What are the components of E-Tailing Marketing Mix?

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12.7 FACTORS INFLUENCES THE GROWTH OF E-TAILING

E-Tailing has been growing rapidly over the last few years. In 2016, total retail sales reached $1.915 trillion which is about 8.7% of the total retail spending.According to a recent TechnoPak report,e-tailing has the potential to grow more than hundred-fold in the next 9 years, to reach $ 76 billion by 2021. The factors responsible for the growth of e-tailing are discussed below:

i. **Rapid increase in the usage of digital devices:** The rapid increase in the users of technological devices like smart phones, laptops, tablets have increased the access to internet. The introduction of new and advanced electronic devices hasincreased the online customer base and thus e-tailers are becoming more and more popular.

ii. **Convenience and Comfort:** E-Tailing has enabled people to shop at any time of the day and from any place. They can view multiple sellers of the same product, compare prices and features sitting under one roof.This has increased the convenience for shopping which is a great driving factor in the growth of e-tailing. Customers find it time saving and comfortable as moving from one store to another is tiresome and time consuming activity.

iii. **Influence of working women:** Working women play a very important role in the growth ofe-tailing. The advantages provided by e-tailing have

been a boon for working women who find it easy to shop online rather than in the physical stores.

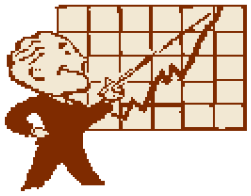
iv. **Growth of mobile commerce:** The increased use of mobile internet especially in non-metro cities has been a driving factor in the growth of e-tailing. The mobile internet users are growing day by day which has been a major reason for the rising number of online customer.

v. **Rising disposable income:** With the advent of globalization there has been a tremendous rise in the disposable income of the people. The creation of jobs and the introduction of global minded consumers have helped e-tailing to grow at the fastest pace. Customers do have the capacity to purchase but due to non availability of physical stores of particular brands in non-metro cities customers are turning towards e-tailing.

vi. **Localization of Internet content:** The web searches in local language have increased in the recent years and innovation like this has helped to boast the growth of e-tailing. Customers now search their desired products in the language they are most comfortable with and as such it has resulted in the increase in online sales.

vii. **Limited growth of brick and motor retail:** A large number of brick and motor retail are located in major cities. This limitation of traditional stores is fuelling the demand for e-tailers whose reach is wider and is providing delivery at even smaller cities where physical stores may need several years to reach.

Thus the growth of e-tailing in the recent years can be attributed to the above mentioned factors which have made e-tailing the fastest growing segment in e-commerce. Because of such tremendous growth investors are pumping a huge amount of money on online retailing and the value of online retail companies have increasedtremendously.



CHECK YOUR PROGRESS

Q 9: How has traditional brick and motor retail helped in the growth of e-tailing?

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Q 10: Mention two factors responsible for the growth of e-tailing?

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12.8 ADVANTAGES AND DISADVANTAGES OF E-TAILING

E-Tailing has been a growing phenomenon in the recent years which provides various advantages to the customers and has several advantages. But along with the advantages there are certain disadvantages of this tremendously popular form of retailing.

Advantages of E-Tailing:

I. **Easy access to market:** E-Tailing has made markets easily accessible for both customers and entrepreneurs. For customers, travelling is not required to see and compare products since all information about the products are available online.For entrepreneurs it has never been easier to enter markets. They can easily sell their products through online sellers like e-bay and amazon.

II. **Reduced overheads:** E-tailing has the major advantage of using cyber space to sell products and as such one can remove the need for expensive retail premises and customer-facing staff, which helps to invest in better marketing and customer experience on the e-commerce site.

III. **Inventory Management:** There is no space limitation and shelves availability for products and as such a higher level of inventory can be managed with variety of range in products. Thus absence of issues like space limitation and product placement on shelves is a major advantage for e-tailers as this helps them in better management of inventory than traditional retail stores.

IV. **Flexibility of time:** E-Tailing provides the major benefit of comfort to the customers as people can shop from their convenient place and at any possible time as sites can be assessed at any time even during midnight. This happens to be a major advantage of e-tailing as customers can shop according to their need and comfort.

V. **Globalization:** E-Tailing helps manufactures to make their products available globally. Entrepreneurs who specialize in niche products can reach a wide mass of customer base as their products might be in demand in various other locations apart from the place where physical stores are available. Global presence of products helps business to survive, succeed and grow.

VI. **Assist in consumer data collection:** E-Tailing helps to collect consumer information in a hassle-free manner. The data related to customers can be easily collected through the web pages which enable to study the buying behavior and patterns and thus customize the site to show products and services which are of interest to the particular buyer.

VII. **Promotional Capabilities:** E-Tailing provides ample scope to place advertisements on sites relating to the products they are dealing with. A major advantage provided by e-tailing is the product placement. The previous transaction and search details of the customers help in organizing the product placement.

VIII. **Avoiding unwanted sales environment:** E-Tailing helps the customers to avoid unwanted salesperson influence to purchase a particular product. The customers can make decisions and figure out the products on their own without any external pressure or influence.

Disadvantages of e-tailing:

I. **Additional Cost of maintenance:** E-Tailing involves additional maintenance cost and fees to be paid which adds up to the cost of the venture. In order to be profitable e-tailing has to decide on major factors like average transaction cost, marketing cost and gross margins. The planning, designing, creating, hosting, securing and maintaining a professional e-commerce website is not cheap.

II. **Payment and Security concerns:** There are a lot of frauds happening online related to credit cards and debit cards. There are possibilities of misuse of card information and hence customers are worried to share their personal information on web.

III. **Delivery problems:** In online shopping, although the payment is made immediately the products are delivered after a few days and as such in case of immediate requirement this stands as a biggest hurdle. The accuracy and conditions of delivery needs to be given proper consideration or else it can become a big disadvantage. Thus to enhance customer experience prompt and smooth delivery is very essential.

IV. **Lack of sensory appreciation of product/sense stimulation:** In certain cases the absence of sense stimulation in online purchase stands as a major default in its functioning. For instance while buying perfumes customers would like to smell it before making the purchase decision. Another issue in e-tailing is the absence of touch of the real products. Because of the absence of sensory appreciation customer retention is less in e-tailing.

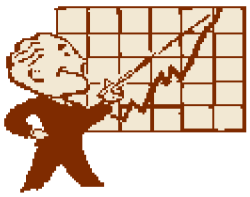
V. **Managing customer trust:** The task managing customer trust in e-tailing is a huge disadvantage as lack of physical contact and face to face interaction between staff and customers makes it difficult to establish a good brand name.

VI. **Lack of sales person and personal advice:** In e-tailing the advice from sales people are missing which at times becomes a disadvantage for customers who seeks and looks for advice from experienced individuals. This is specifically true in case of technical and high end products.

VII. **Legal issues:** The laws and regulations related to online transaction and online shopping needs to be adhered to avoid any legal issues. E-tailers need to cope up with this additional statutory guidance which creates a burden on the sellers.

VIII. **Personal Information:** Many customers are skeptical to provide their personal information on web due to confidential issues. They do not

feel comfortable in giving their private and personal information with the fear of someone misusing it.



CHECK YOUR PROGRESS

Q 11: Mention two advantages of e-tailing.

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Q 12: How do lack of sensory appreciation of product/sense stimulation in e-tailing stand as a disadvantage?

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12.9 FUTURE OF ELECTRONIC RETAILING

Electronic retailing has come a long way since its inception and despite the challenges faced by e-tailing it has been growing and is successful in making a unique place of its own in the entire retail industry. The past decades have witnessed an increasing trend in the spending of customers on online shopping. The wide spread of internet, increased adoption of online services, need for comfort and convenience, reliable networks has resulted in the tremendous growth of electronic retailing. Thus electronic retailing has a long way to go in the future and like brick and motor retailers it has to build its own brands. For these electronic retailing has to focus on experiences. In order to create a complete customer experience they will require online category managers who will build and maintain the web page and provide inventory, shipping and customer service.

In the coming year's new innovation and technological advancement will revolutionize the entire consumer experience of shopping on the electronic format which will churn more online sales. E-tailers are continuously trying to bring in new ideas and technologies to enhance the user interface and experience in e-tailing. Some of the technological innovations which e-tailers are trying to implement to bring a major transformation to electronic retailing are:

- Artificial Intelligence- It will empower e-tailers with valuable customer

intelligence. This will not only provide insights to the customers but will anticipate futuristic consumer needs and also help to make decisions for them.

- Virtual Reality- This will provide a virtual shopping experience with touch and feel concept. It will help in creating a personalized experience which is provided by the brick and motor retailers.
- Chatbots- Chatbots have been touted as the future of customer service. These next gen platforms can serve e-retailers with cost-effective benefits and aid in tasks automations. Chatbots powered by artificial intelligence, are designed to perform specific tasks, where users can interact with via a chat interface.

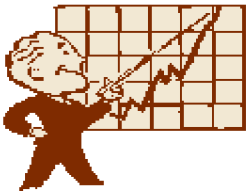
The future of electronic retailing can be summarized in the following points:

a. **Technology:** The investment in technology will further enhance the electronic retailing offerings. The portability of computers and growing innovation in electronic devices will facilitate carefree, easy and daily use of e-tailing.

b. **Customers:** The comfort and convenience provided by e-tailing will make online shopping a sensible alternative to traditional modes of shopping. The growing faith of customers on online sellers and the innovative ideas used by e-tailers to provide better customer experience will help electronic retailing to flourish in the future.

c. **E-Marketing:** The use of information from the web browser regarding the customer shopping patterns and habits to develop personalize marketing efforts will make electronic retailing to have a competitive advantage over traditional retail stores. E-Marketing will act as a smart missile that will help in integrating customer product searches.

Electronic retailing is the future of retailing. The virtual world is in the verge of becoming a part of the concrete world and thus electronic retailing will become an essential and important part of retail market. Internet is a catalyst which has enabled the new age people to be more social and recreational. Businesses are now looking forward to innovative ways to build a never ending relationship with the customers and it is technology that is helping this two way process between brands and customers.



CHECK YOUR PROGRESS

Q 13: What are the three major technological innovations which e-tailers are trying to implement to bring a major transformation to electronic retailing?

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Q 14: How can e-marketing help in the growth of electronic retailing in future?

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12.10 LET US SUM UP

- E-Tailing is a form of retailing which involves selling of goods and services utilizing the internet and other electronic channels. It is the abbreviated version of 'Electronic Retailing'. In simple words, it is the activity of selling retail goods on the internet.
- E-tailing is a specialized form of E-commerce. The major difference between e-tailing and e-commerce is that e-tailing is the process of selling retail goods over the internet whereas e-commerce deals with commercial transaction using electronic means though internet.
- The difference between traditional brick and motor retail and e-tailing is the venue used. Where in e-tailing, cyber space is used to reach the customers in the tradition brick and motor retail a physical location is used.
- Technology plays a very important role in satisfying market demand by providing right information at the right time which helps in useful decision making. It helps in efficient stocking of merchandise, collection of data, efficiency in operations, helps in communications, helps in synchronization of data and providing better customer service.

- The importance of technology in retail is immense and over the years this technological applications has developed. Some of them are Electronic Data Interchange (EDI), Radio Frequency Identification (RFID), Customer Relationship Management (CRM) Software, Point of Sale (POS) and Inventory Control Software, Retail Accounting Software.
- The factors affecting the use of technology in retail are nature of business, scale and scope of operation, availability of funds and availability of human resource.
- The growth of e-tailing can be attributed to factors like rapid increase in the usage of digital devices, convenience and comfort, Influence of working women, growth of mobile commerce, increase in disposable income, localization of Internet content and limited growth of traditional brick and motor retailer.
- The major advantages of e-tailing are- easy access to market, reduced overheads, better inventory management, flexibility of time can be enjoyed by customers, global presence of products, assist in consumer data collection, promotion through better product placement in a customized manner, avoidance of unwanted sales environment.
- The major disadvantages of e-tailing are-Additional Cost of maintenance, payment and Security concerns, delivery issues, Lack of sensory appreciation of product/sense stimulation, lack of customer trust, **Lack of sales person and personal advice etc.**
- The technological innovations which e-tailers are trying to implement to bring a major transformation to electronic retailing are Artificial Intelligence, Virtual Reality, and Chatbots.



12.11 FURTHER READING

1) Pradhan,S (2012). Retailing Management-Text and Cases, New Delhi: Tata McGraw Hill Education Private Limited.

2) Jain, R.K (2009). Retail Management, New Delhi: Vayu Education of India.



12.12 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: E-Tailing is a form of retailing which involves selling of goods and services utilizing the internet and other electronic channels. It is the abbreviated version of 'Electronic Retailing'. In simple words, it is the activity of selling retail goods on the internet. Examples of *e*-tailers are amazon.com and ebay.com where customers directly buy goods and services over the internet.

Ans to Q No 2: E-Tailing involves selling retail goods through the internet where customers can purchase goods and services whereas E-Commerce involves commercial transaction through electronic medium using internet which includes electronic funds transfer, internet marketing and online transaction processing. Thus e-commerce is a broader concept and e-tailing is a subset of e-commerce.

Ans to Q No 3: Technology plays a very important role in collection and transmission of information. The sales trend can be analyzed to avoid stock out. Sales analysis can be done to assist in decisions regarding replenishment, re-ordering and merchandising planning. This is more valuable for products having a short life cycle.

Ans to Q No 4: Technology helps in gathering information in such crucial scenarios and makes information available at the right time, at the right place to the right set of people. Now-a-days the market demands are changing frequently and markets are growing at rapid pace. Thus in order to cope with the ever changing market environment deployment of technology in business is essential.

Ans to Q No 5: Electronic Data Interchange is defined as the exchange of business information through computers using standard interface. It helps in the transfer of business data between organizations in a computerized format. Through EDI purchase orders can be send to suppliers via electronic medium. Such technology saves time as data is transmitted immediately and also reduces manual errors. It also

helps in decreasing the cost of paper handling, filling storage and manual cost and aids in strengthening the relationship between retailers and suppliers.

Ans to Q No 6: Radio Frequency Identification (RFID) is a wireless barcode that provides wireless communication between the objects and readers. It helps to track products and shipments in real time. Apart from tracking it also helps in supervising the performance of employees within the store and helps them to be more productive by providing transaction histories, enabling tracking of customer's profile, information regarding level of stock etc.

Ans to Q No 7: 'Brick and mortar' firms are traditional organizations. Click and order are the new types of organizations that rely on information technology. When the traditional business adopts some aspects of the new types of organizations or the reverse happens, it is known as the click and brick pattern.

Ans to Q No 8: The e-tailing marketing mix consists of three important elements they are convenience, speed of delivery and cost. These elements are the most important factor in the success of e-tailing.

Ans to Q No 9: The traditional brick and motor retail are mostly located in major cities. This limitation of traditional stores is fuelling the demand for e-tailers whose reach is wider and is providing delivery at even smaller cities where physical stores may need several years to reach.

Ans to Q No 10: Two factors responsible for the growth of e-tailing are:-

i. Rapid increase in the usage of digital devices: The rapid increase in the users of technological devices like smart phones, laptops, tablets have increased the access to internet. The introduction of new and advanced electronic devices has increased the online customer base and thus e-tailers are becoming more and more popular.

ii. Convenience and Comfort: E-Tailing has enabled people to shop at any time of the day and from any place. They can view multiple sellers of the same product, compare prices and features sitting under one roof. This has increased the convenience for shopping

which is a great driving factor in the growth of e-tailing. Customers find it time saving and comfortable as moving from one store to another is tiresome and time consuming activity.

Ans to Q No 11: Two advantages of e-tailing are:

I. Easy access to market: E-Tailing has made markets easily accessible for both customers and entrepreneurs. For customers, travelling is not required to see and compare products since all information about the products are available online. For entrepreneurs it has never been easier to enter markets. They can easily sell their products through online sellers like e-bay and amazon.

II. Reduced overheads –E-tailing has the major advantage of using cyber space to sell products and as such one can remove the need for expensive retail premises and customer-facing staff, which helps to invest in better marketing and customer experience on the e-commerce site.

Ans to Q No 12: The absence of sense stimulation in online purchase stands as a major default in its functioning. For instance while buying perfumes customers would like to smell it before making the purchase decision. Another issue in e-tailing is the absence of touch of the real products. Because of the absence of sensory appreciation customer retention is less in e-tailing.

Ans to Q No 13: The three major technological innovations which e-tailers are trying to implement to bring a major transformation to electronic retailing are:-

- Artificial Intelligence-This will not only provide insights to the customers but will anticipate futuristic consumer needs and also help to make decisions for them.
- Virtual Reality- This will provide a virtual shopping experience with touch and feel concept.
- Chatbots- Chatbots have been touted as the future of customer service. These next gen platforms can serve e-retailers with cost-effective benefits and aid in tasks automations.

Ans to Q No 14: E-Marketing can use information from the web browser regarding the customer shopping patterns and habits to develop personalize marketing efforts will make electronic retailing to have a competitive advantage over traditional retail stores. E-Marketing will act as a smart missile that will help in integrating customer product searches.



12.13 MODEL QUESTIONS

A. Short Questions (Answer each question in about 150 words)

Q 1: What is the distinction between traditional brick and motor retail and e-tailing?

Q 2: What are the factors affecting the use of technology in retail?

Q 3: What are the major advantages and disadvantages of e-tailing?

B. Long Questions (Answer each question in about 300-500 words)

Q 1: What is the role of technology in satisfying market demands and briefly state the application of technology in retail marketing decisions?

Q 2: What are the factors responsible for the growth of e-tailing?

Q 3: Write in brief about the future of electronic retailing?

*** ***** ***

UNIT 13: RURAL RETAILING

UNIT STRUCTURE

13.1 Learning Objectives

13.2 Introduction

13.3 Overview of the Indian Rural Market

13.4 Role of Rural retailing in India

13.5 Challenges in Indian Rural Market

13.6 Periodic Markets (Shanties/Haats/Jathras)

13.7 Rural retail Players in India

13.8 Rural Retail Strategies

13.9 Let us Sum up

13.10 Further Reading

13.11 Answers to check your progress

13.12 Model Questions

13.1 LEARNING OBJECTIVES

At the end of this unit, you will be able to:

- define the Indian Rural Market
- explain the role of Rural retailing in India
- explaing the challenges in Indian Rural Market
- describe the Periodic Markets (Shanties/Haats/Jathras)
- outline the Rural retail Players in India
- explain rural Retail Strategies
- outline the Future of Rural retailing.

13.2 INTRODUCTION

Rural market is the backbone of the Indian economy spreading far and wide across different states and regions. Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labour Economics. The concept of rural marketing in India is often been found to

form ambiguity in the minds of people who think rural marketing is all about agricultural marketing. However, rural marketing determines the carrying out of business activities bringing in the flow of goods from urban sectors to the rural regions of the country as well as the marketing of various products manufactured by the non-agricultural workers from rural to urban areas. The rural market in India brings in bigger revenues in the country, as the rural regions comprise of the maximum consumers in this country. The rural market in Indian economy generates almost more than half of the country's income. Rural marketing in Indian economy can be classified under two broad categories. These are: the market for consumer goods that comprise of both durable and non-durable goods and the market for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

The National Commission on Agriculture defined Rural Marketing as decisions to produce saleable commodities involving all aspects of the market system or structure, both functional and institutional, based on technical and economic considerations and includes the pre and post-harvest operations.

13.3 OVERVIEW OF INDIAN RURAL MARKET

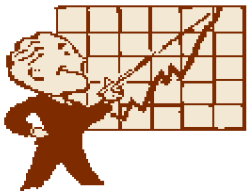
Rural India is the real India. The bulk of India's population lives in villages. With the rapid pace of technological improvement and increase in peoples buying capacity, more and better goods and services now are in continuous demand. The liberalization and globalization of the Indian economy have given an added advantage to sophisticated production, proliferation and mass distribution of goods and services. In terms of the number of people, the Indian rural market is almost twice as large as the entire market of the USA or that of the USSR where,

- Agriculture is main source of income.
- The income is seasonal in nature. It is fluctuating also as it depends on crop production.
- Though large, the rural market is geographically scattered.
- It shows linguistic, religious and cultural diversities and economic disparities.

- The market is undeveloped, as the people who constitute it still lack adequate purchasing power.
- It is largely agricultural oriented, with poor standard of living, low-per capital income, and socio-cultural backwardness.
- It exhibits sharper and varied regional preferences with distinct predilections, habit patterns and behavioural characteristics.
- Rural marketing process is both a catalyst as well as an outcome of the general rural development process. Initiation and management of social and economic change in the rural sector is the core of the rural marketing process. It becomes in this process both benefactor and beneficiary.

Share of rural in total population **(Census 2011)**

	2001 (in Crore)	2011 (in Crore)	Difference (Crore)
India	102.9	121.0	18.1
Rural	74.3	83 .3	9.0
Urban	28.6	37.7	9.1



CHECK YOUR PROGRESS

Q 1: Define Rural Market

.....

.....

Q 2: State the two broad categories of Rural Market in India

.....

.....

Q 3: Rural India is ..... India

Q 4: As per Census 2011, rural population in India was

.....

13.4 ROLE OF RURAL RETAILING IN INDIA

For a long time, a large amount of retail outlets in India were grocery shop. With time, the pattern has changed to urban and rural. Of late, India's largely rural population has also caught the eye of retailers looking for new

areas of growth. Realizing the huge untapped potential of rural India, top corporate houses like ITC and Tata have stormed into the rural areas with ITC launching the country's first rural mall 'Chaupal Sagar'- offering a diverse product range from FMCG to electronic appliances to automobiles, attempting to provide farmers a one - stop destination for all of their needs. Companies such as Godrej and DCM Shriram Consolidated are launching 'onestop shops' for farmers and their communities. Organized retail sector can bring a revolutionary change in rural India. With WalMart famous for its 'Always Low Prices' coming in India with Bharati as equal partner, Indian farmers and rural craftsmen can hope for a better direct deal. Retailing does not benefit just the consumer. It can give huge benefits to other industries, to government, and to the entire economy. The rural market is no longer a non-player in the retail game. It is now accounting for over one-third of the market for most durable and nondurable products.

13.5 RURAL RETAIL PLAYERS IN INDIA

ITC Chaupal Sagar - e-Choupal is termed as one of the most innovative concepts of independent INDIA. eChoupal is an initiative of ITC Limited, a large multi business conglomerate in India, to link directly with rural farmers via the Internet for procurement of agricultural and aquaculture products. Following the success of the e-Choupal, the Company launched Choupal Saagar, a physical infrastructure hub that comprises collection and storage facilities and a unique rural hypermarket that offers multiple services under one roof. This landmark infrastructure, which has set new benchmarks for rural consumers also incorporates farmer facilitation centres with services such as sourcing, training, soil testing, health clinic, cafeteria, banking, investment services, fuel station etc.

HUL – Project Shakti - HUL provides training on basic accounting, selling skills, health hygiene and relevant IT skills to Shakti entrepreneurs and equips them with smart phones which have been enabled with a mini Enterprise Resource Package (ERP) which helps them to run their business efficiently and further augment their income. HUL has trained thousands of Shakti Ammas across the villages in a bid to develop an entrepreneurial

mindset and make them financially independent and more empowered. The Shakti programme was extended to include 'Shaktimaans' who are typically the husbands or brothers of the Shakti Ammas. Shaktimaans complement our Shakti Ammas. They sell products on bicycles in surrounding villages, covering a larger area than Shakti Ammas can cover on foot. Today, Project Shakti provides livelihood enhancing opportunities to nearly 70,000 Shakti Entrepreneurs who distribute our productions in more than 162,000 villages and reach over four million rural households. There are 48,000 Shaktimaans across India.

Dabur Swavalamban - Dabur India, one of India's leading FMCG companies and the world's largest ayurvedic and natural health care company, announced the successful completion of employment guaranteed training of the first batch of rural youth under its ambitious community development initiative, 'Swavalamban'. 18 young boys have completed the month-long training programme under this initiative and were today awarded the completion certificate and a job offer letter, offering all the 18 rural youth employment immediately after completing the course. This mega initiative is aimed at improving the employability of local youth from villages by Providing them free technical training and skill development opportunities. The Project, being run in association with the Rural Development and Self-Employment Training Institute (RUDSETI), will offer training to rural youth on three key areas of Sales, Merchandising and Promotion. The group will be offered guaranteed employment, post completing their training.

Tata Kisan Sansar - The objective of the Tata Kisan Sansar (TKS) network is to enable and empower the farmer in creating and generating more value for farm produce by providing information on new and improved agronomic practices and by facilitating better and more efficient use of agricultural inputs. The philosophy behind TKS is to become a change agent for the Indian farming community.

ICICI Bank customized their rural ATMs, so they can operate biometric authentication. ICICI rural ATMS are battery operated so that power failure is not issue. **ICICI Prudential Life** connects with rural India through 'Pragati Ki Anokhi Paathshala. Education is the doorway to the wider world.

India's key challenge today is to rapidly provide its rural students with opportunities and develop basic leadership and problem-solving skills, raise their command over the English language and develop lateral thinking capabilities. ICICI Prudential Life Insurance Company has undertaken a short yet intensive program, offering unique progressive educational model for the rural children of India through Pragati Ki Anokhi

13.6 CHALLENGES IN INDIAN RURAL MARKET

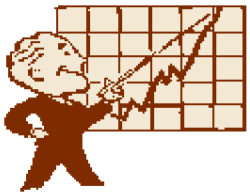
Setting up organized retail outlet in rural India is itself is a challenging task because its initial penetrating cost is really high, instances cost of land, skilled labor etc. The retailer has to formulate the strategies which should be different from urban retail because their lives is mostly dependent on the income generated through agriculture and agriculture allied activities.

Some major challenges for marketers in rural markets are:

- **Transportation:** Transportation is an important aspect in the process of movement of products from urban production centers to remote villages. The transportation infrastructure is extremely poor in rural India. Due to this reason, most of the villages are not accessible. During the monsoons, even these roads become unserviceable. Regarding rail transport, though India has the second largest railway system in the world, many parts of rural India however, remain outside the rail network.
- **Communication:** Marketing communication in rural markets suffers from a variety of constraints. The literacy rate among the rural consumers is very low. Print media, therefore, have limited scope in the rural context. Apart from low levels of literacy, the tradition-bound nature of rural people, their cultural barriers and their overall economic backwardness add to the difficulties of the communication task. Post, telegraph, and telephones are the main components of the communication infrastructure. These facilities are extremely inadequate in the rural parts of our country.
- **Inadequate Banking and Credit Facilities:** In rural markets, distribution is also handicapped due to lack of adequate banking and

credit facilities. The rural outlets require banking support to enable remittances, to get replenishment of stocks, to facilitate credit transactions in general, and to obtain credit support from the bank. Retailers are unable to carry optimum stocks in the absence of adequate credit facilities. Because of this problem, they are not able to offer credit to the consumers.

- **Poor availability of Appropriate Media:** It has been estimated that all organized media in the country put together can reach only 30 per cent of the rural population of India. The print media covers only 18 per cent of the rural population. The radio network, in theory, covers 90 per cent. But, actual listenership is much less. TV is popular, and is an ideal medium for communicating with the rural masses. But, it is not available in all interior parts of the country.
- **Rural Markets and Sales Management:** Rural marketing involves a greater amount of personal selling effort compared to urban marketing. The rural salesman must also be able to guide the rural customers in the choice of the products. It has been observed that rural salesmen do not Properly motivate rural consumers. The rural salesman has to be a patient listener as his customers are extremely traditional. He may have to spend a lot of time on consumer visits to gain a favourable response from him. Channel management is also a difficult task in rural marketing. The distribution channels in villages are lengthy involving more intermediaries and consequently higher consumer prices. In many cases, dealers with required qualities are not available.
- **Market Segmentation in Rural Markets:** Market segmentation is the process of dividing the total market into a number of sub-markets. The heterogeneous market is broken up into a number of relatively homogeneous units. Market segmentation is as important in rural marketing as it is in urban marketing. Most firms assume that rural markets are homogeneous. It is unwise on the part of these firms to assume that the rural market can be served with the same product, price and promotion combination.



CHECK YOUR PROGRESS

Q 5: State two rural retail players in India.

.....

Q 6: State three challenges of the Indian Rural Retail Market.

.....

Q 7: Project Shakti and e-Choupal are the initiatives of

..... and .....

respectively.

Q 8: Swavalamban and Kisan Sansar are the initiatives of

..... and ..... respectively.

13.7 PERIODIC MARKETS (SHANTIES/HAATS/ JATHRAS)

Haats and shandies are periodic markets which operate in a weekly cycle. They offer a ready distribution network and are steady, cheap and appropriate and can be used effectively for distribution, demonstration and sampling of daily need products. They provide first contact point for villagers with the market, a means for distributing local products and exchanging rural surplus, an opportunity for buying daily necessities as well as farm supplies and equipment. Each haat cater to the need of atleast 10 to 50 villages drawing over thousands of people (buyers and sellers). Jathras and melas work best introducing new brands through the organization of events at the venue. They are held once or twice a year for long durations normally timed with religious festivals. Such places attract large number of itinerant merchants.

13.8 RURAL RETAIL STRATEGIES

Strategies that may be helpful in improving retailing in rural areas are listed below

a. Product Strategies

b. Pricing Strategies

c. Distribution Strategies

d. Promotion Strategies

e. Marketing Strategies

f. Sales Strategies

a. Product Strategies:

i. Small unit and Low price packing:

By making the product available in small and low price packing, a company can attract villagers to at least try its product because larger pack sizes may be out of reach for rural consumers because of their price and usage habits. For example: Shampoos, Biscuits.

ii. New Product Design:

A company can opt for new product designs or modified designs that are specially meant for rural areas keeping their lifestyles in view.

iii. Sturdy Products:

Sturdiness of a product either in terms of weight or appearance is an important fact for rural consumers. The product meant for rural areas should be sturdy enough to stand rough handling and storage. People in rural areas like bright flashy colours such as red, blue, green etc., and feel that products with such colours are sturdy but they are more concerned with the utility of the item also.

iv. Brand Name:

The brand name awareness in the rural areas has fairly increased. A brand name and is very essential for rural consumers to remember the product.

b. Pricing Strategies:

The pricing strategy for rural market will depend upon the scope for reducing the price of the product to suit the rural incomes and at the same time not compromising with the utility and sturdiness of the product.

i. Low cost Products:

This strategy can be adopted by both, manufacturing and marketing men. Price can be kept low by small unit packing.

ii. Simple Packaging:

Sophisticated packing should be avoided and simple packaging

should be adopted to cut down the cost.

iii. Reusable packaging:

Packaging that is reusable and can be refilled attracts the attention of rural buyers. For examples: Chyawanprash is providing plastic containers that can be reused by the consumers.

iv. Application of value engineering:

This is a technique which can be tried to evolve cheaper products by substituting the costly raw material with the cheaper one, without sacrificing the quality or functional efficiency of the product, for example in food industry, 'soya protein is being used instead of milk protein. Milk protein is expensive while soya protein is cheaper but the nutrition value is same.

c. Distribution Strategies

Most of the manufacturers and marketers can arrange for distribution to villages using the strategies listed below:

i. Using Own Delivery Vans:

One of the way of distribution to rural area can be using delivery vans which can serve two purposes-it can take product to consumer in every nook and corner of the market and it also enables the firm to establish direct contact with them and thereby facilitate sales promotion. However, only big companies can adopt this channel.

ii. Annual Melas:

Annual melas organized are quite popular and provide a very good platform for distribution because people visit them to make several purchases. According to Indian Market Research Bureau-around 8000 such melas are held in rural India every year. Also every region consisting of several villages is generally served by one satellite town termed as Mandis and Agri-markets where people prefer to go to buy their commodities. By making product available in these annual Melas, Mandis and Agri Markets, a firm can cover large section of rural population.

iii. Paintings:

A picture is worth thousand words. This way of conveying message is simple and clean. Rural people like the sight of bright colours. COKE, PEPSI and TATA traders advertise their products through paintings.

d. Promotion Strategies:

Mass media is a powerful medium of communication and other strategies that can be followed to promote the product in rural market include:

i. Promoting Products with Indian Models and Actors:

Companies should picking up Indian models, actors for advertisements as this will help them to show themselves as an Indian company

ii. Associating them with India:

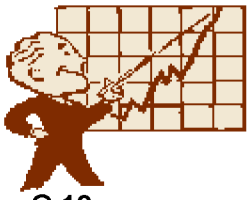
MNCs must associate themselves with India by talking about India, by explicitly saying that they are Indian. Different channels during Independence Day and Republic Day time make their logo with Indian tri-colour.

iii. Promoting Indian Sports Team:

Companies may promote Indian sports teams so that they can associate themselves with India. With this, they influence Indian mindset. Oppo camera phone is promoting the Indian cricket team during the ICC Champions trophy 2017.

iv. Talking about a Normal Indian:

It is a normal tendency of an Indian to try to associate him/her with the product. If he/she can visualize himself/herself with the product, he /she become loyal to it. That is why companies like Daewoo based their advertisements on a normal Indian family.



CHECK YOUR PROGRESS

Q 9: ..... and..... are periodic markets which operate in a weekly cycle.

Q 10: ..... and ..... work best introducing new brands through the organization of events at the venue.

Q 11: State the rural retail strategies.

.....



13.9 LET US SUM UP

- National Commission on Agriculture defined Rural Marketing as decisions to produce saleable commodities involving all aspects of the market system or structure, both functional and institutional, based on technical and economic considerations and includes the pre and post-harvest operations.
- Rural India is the real India. The bulk of India's population lives in villages.
- Agriculture is main source of income. Rural marketing process is both a catalyst as well as an outcome of the general rural development process.
- ITC launched the country's first rural mall 'Chaupal Sagar'- offering a diverse product range from FMCG to electronic appliances to automobiles, attempting to provide farmers a one - stop destination for all of their needs.
- Organized retail sector can bring a revolutionary change in rural India.
- .e Choupal is an initiative of ITC Limited.
- HUL launched Project-Shakti
- Dabur India, announced the successful completion of employment guaranteed training of the first batch of rural youth under its ambitious community development initiative, 'Swavalamban'.
- The objective of the Tata Kisan Sansar (TKS) network is to enable and empower the farmer in creating and generating more value for farm produce by providing information on new and improved agronomic practices and by facilitating better and more efficient use of agricultural inputs.
- Haats and shandies are periodic markets which operate in a weekly cycle.
- Jathras and melas are held once or twice a year for long durations normally timed with religious festivals.
- Product Strategies, pricing Strategies, distribution Strategies,

promotion Strategies marketing Strategies, sales Strategies are different rural retail strategies.



13.10 FURTHER READING

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13.11 ANSWERS TO CHECK YOUR PROGRESS

Ans to Q No 1: Rural Markets are defined as those segments of overall market of any economy, which are distinct from the other types of markets like stock market, commodity markets or Labour Economics.

Ans to Q No 2: Two broad categories of Rural Market in India are: market for consumer goods that comprise of both durable and non-durable goods and the market for agricultural inputs that include fertilizers, pesticides, seeds, and so on.

Ans to Q No 3: Rural India is **real** India

Ans to Q No 4: As per Census 2011, rural population in India was **83.3 crore.**

Ans to Q No 5: Two rural retail players in India are **ITC and HUL.**

Ans to Q No 6: Three challenges of the Indian Rural Retail Market are transportation, communication and inadequate banking and credit facilities.

Ans to Q No 7: Project Shakti and e-Choupal are the initiatives of **HUL** and **ITC** respectively.

Ans to Q No 8: Swavalamban and Kisan Sansar are the initiatives of **Dabur and Tata** respectively.

Ans to Q No 9: Haats and **shandies** are periodic markets which operate in a weekly cycle.

Ans to Q No 10: Jathras and **melas** work best introducing new brands through the organization of events at the venue.

Ans to Q No 11: The rural retail strategies are: Product Strategies, Pricing Strategies, Distribution Strategies, Promotion Strategies, Marketing Strategies and Sales Strategies



13.12 MODEL QUESTIONS

Q 1: Define Rural market according to the National Commission on Agriculture.

Q 2: Give an overview of the Indian Rural Market.

Q 3: What are the challenges for marketers for entering the rural markets? Discuss.

Q 4: Discuss the contributions of a few rural retail players in India.

Q 5: Why are the periodic markets important from the rural perspective? Discuss the importance of Haats and Melas in rural India.

Q 6: Discuss any three rural retail strategies in India.

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UNIT 14: CASES

In this unit we will discuss few cases related to service and retail marketing. After going through these cases learners will have more idea about practical implications of service and retail marketing.

Case 1:

Related to Service Marketing

Mr K, who had an account with his bank, was very surprised to receive a credit card statement with the wrong name on it. The statement was clearly his, as the account number and all the transaction details were correct. However, the name on the statement appeared to have been made up and not a genuine name at all.

After making a number of phone calls to the bank, Mr K was eventually told that the name change had come about because of a "*systems error*". The bank sent him a cheque for Rs. 2500 for his out-of-pocket expenses in having to pursue the matter. Although the name on the cheque was closer to his own name than the name on the statement had been - it was still not right.

Given this further error, Mr K remained most concerned about what was happening on his account. When he pursued the matter further, he discovered that the bank's record of his occupation stated that he was a "*professional shoplifter*". Mr K then brought his complaint to the manager. It soon became clear that the alterations to Mr K's details on his credit card account had not come about as a result of a systems error, as the bank had told him. The changes had been made deliberately, by a member of the bank's staff.

The bank had compounded the problem by failing to get Mr K's name right when it sent him a cheque. It had also taken several months to amend his name on his credit reference history. The overall effect of all this was that Mr K was caused a significant degree of distress and inconvenience.

Questions

1. If you were the manager of the bank, what steps would you have taken to address to the problem of Mr. K?

2. 'Banking services should be prompt and error free'. Do you agree? Justify with reference with the above case.

Case 2:

Related to Retail marketing

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

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

Bhushan Reddy hired a retail consultant to seek a panacea to the problem. The consultant, Anand Mali after studying the operations of the two competing shops identified that the problem lay with sales and service staff of The Daily Mart and also the merchandise placement strategy adopted

by Reddy. While the CSAs of the Onions Etcetera were highly motivated, well skilled, courteous and well groomed individuals, the personnel at Reddy's enterprise were shabbily dressed, moron creatures on whose faces it was always written-"its just another day. What's new about it?" the traits of ambition, commitment, persuasiveness and passion were simply not to be found among them. This caused customers to switch once they had better option. Moreover, the aisles were too narrow which often made one feel as if he/she was in a well illuminated warehouse and not quite in a retail store. The placement merchandise was such that it allowed very little scope for the CSAs to go for upselling or cross selling. For example, the place where potatoes were kept and the potato peelers existed were far off which eliminated the scope of selling a peeler as a complimentary item along with potatoes. Customers were simply not interested to go that 'extra mile' to shop for a potato peeler. Merchandise were generally dumped on racks. Many FMCG items could have well been presented as blocks. Colour blocking would have enhanced the visual appeal.

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

Questions:

1. 'An ineffective employee is actually a liability to his/her employer'. Do you agree? Explain this with reference to the case study.
2. Effective merchandise presentation in case of supermarkets can be a better alternative to enhancing store revenues rather than overall visual merchandising of a store. Justify.
3. Apart from the suggestions offered by Anand Mali, what else you would like to suggest to Bhushan Reddy to regain his store's lost position?

*** ***** ***



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