RETAIL MANAGEMENT

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RETAIL MANAGEMENT

Importance of RM in Management

18 MBA 401 A

RETAIL MANAGEMENT (RM)

Credit: 3, Class Hours: 30-35

Course Objective:

• To familiarize students with retailing concepts, strategies, and problems

• To enhance student’s capability to identify and analyze business environment and its opportunities and limitations, to set appropriate goals and to design the strategies to achieve those goals within the current situations
RETAIL MANAGEMENT

Introduction to Syllabus

Module - I: Emergence of organized retail in India, Retailing—Role, Relevance and Trends, Retail organization, Types of retailers, Retail Formats, Retail Consumer Behaviour, Retail Marketing Mix., Retail Market Strategy, Technology in Retail.

Module - II: Retail Location Decisions, Merchandise Planning, Managing Assortments, Store Management, Layout, Design, Space Management, Visual Merchandising, Retail Aesthetics, Retail Atmospherics, Retail Equity.

Module - III: Retail Communication Mix, Selection of promotion mix, Retail sales promotion, Retail Pricing: Price Setting, Pricing Strategies, GMROI, Managing Retail Brands- Branding strategies in retail, brand equity, Retail brand extension, Creating brand value.
Recent Trends in Retail Sector

1. Retailing in India is witnessing a huge revamping exercise.
2. India is rated the fifth most attractive emerging retail market.
3. Estimated to be US$ 200 billion, of which organized retailing make up 3% or US$6.4 billion.
4. Multiple drivers leading to a consumption boom.
5. Food & apparel retailing key drivers for growth.
6. Organized retailing in India has been largely an urban area.
7. Phenomenon with affluent classes and growing number of double income households.
8. More successful in the cities of south and western part of India.
9. Rural markets emerging as a huge opportunity for retailers reflected in the share of rural markets across most categories of consumption.
10. Technology and network marketing concepts as an aggregator and serve the rural market.
Lecture 1

TYPES OF RETAILERS

- Chain of stores
- Franchisee
- Specialty Store
- Departmental Stores
- Super Market
- Hypermarket
- Shopping Malls
- Specialty Store
- Factory Outlet
- Convenience store
Lecture 2
Retail Format

- Malls
- Hypermarkets
- Cash & Carry Stores
- Supermarkets
- Specialty Stores
- Discount Stores
- Departmental Stores
- Convenience Store
- E-Retailers
Lecture 3
Classification of Retail Format

- **Classification of retail formats**
  - **Store based retailing**
    - Forms of Ownership:
      - Independent Retailer
      - Chain Retailer
      - Franchise
      - Leased
      - Consumer co-operative
  - Merchandise Offered:
    - Convenience Store
    - Supermarket
    - Hypermarket
    - Specialty Stores
    - Departmental Store
    - Off-price Retailers
    - Factory Outlets
    - Catalogue Showroom
  - **Non-store retailing**
  - **Service Retailing**
    - Direct Selling
    - Mail Order
    - Tele Marketing
    - Automated Vending
    - Banks
    - Car Rentals
    - Other services

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Lecture 4
Retail consumer behaviour

**Place**
- Retail
- Wholesale
- Local - Export
- Internet

**Price**
- Penetration strategy
- Cost-Plus
- Loss leader
- More

**Product**
- Design, technology
- Useability
- Usefulness
- Solves pain
- Value
- Quality
- Brand
- Warranty

**Physical Evidence**
- User stories
- Recommendations
- Office premises
- Buzz

**Process**
- Service delivery
- Complaints
- Response time

**Promotion**
- Advertising
- Recommendations
- Special Offers
- Gifts
- User testing

**People**
- Founders
- Employees
- Culture
- Customer service
Lecture 5
Retail Consumer Behaviour

Retail Buying Process: Eight-Stage Model

1. Need Arousal
2. Recognition of the Need
3. Level of Involvement
4. Search of Information and Identification of Alternatives
5. Evaluation of Alternatives
6. Decision
7. Purchase Action
8. Post Purchase feeling / Behaviour
Retail Marketing Mix

While many elements may make up a firm’s retail marketing mix, the essential elements may include:

- Store location,
- merchandise assortments
- Store ambience,
- customer service,
- price,
- Communication with customers
Lecture 7
Retail Marketing Mix

PLACE
- Retail
- Wholesale
- Mail order
- Internet
- Direct Sales
- Peer to Peer
- Multi-Channel

PRICE
- Strategies: Skimming, Penetration, Psychological, Cost-Plus, Loss leader, etc.

PRODUCT
- Design
- Technology
- Usefulness
- Convenience
- Value
- Quality
- Packaging
- Branding
- Accessories
- Warranties

Physical Environment
- Smart
- Run-down
- Interface
- Comfort
- Facilities

Process
- Especially relevant to service industries
- How are services consumed?

People
- Employees
- Management
- Culture
- Customer Service

PROMOTION
- Special Offers
- Advertising
- Endorsements
- User trials
- Direct mailing
- Leaflets/posters
- Free gifts
- Competitions
- Joint ventures

TARGET MARKET
RETAIL LOCATION DECISION

• Types of Retail Locations
• Frequented Spots. A mall space can potentially provide you with quite a bit of foot traffic as people come to malls specifically to walk around and shop. ...
• Commercial Building. ...
• Office Space. ...
• Home Office.

The major among them are:

• Connectivity and ease of traffic flow: These are the two important issues that a retailer must consider while selecting a site. ...
• Parking facility: ADVERTISEMENTS: ...
• Cost effectiveness: ...
• Presence of competitors:
FACTORS AFFECTING RETAIL LOCATION

- Selection of the area: ...
- Choice of the site: ...
- Scale of operation: ...
- Amount of capital: ...
- Decoration of shop: ...
- Selection of goods: ...
- Source of supply: ...
- Sales policy:
Lecture 11
MERCHANDISING PLANNING

The Process of Merchandising Planning

1. Determining the Merchandise required

2. The merchandise budget comprises of five parts:-

   - Sales Plan
   - Stock support plan
   - Planned reductions
   - Planned purchase levels
   - Gross margins
Lecture 12

MANAGING ASSORTMENTS

• Sales and Profit. **Assortment planning** is a process whereby products are selected and planned to maximize sales and profit for a specified period of time. The **assortment** plan considers the financial objectives and seasonality of merchandise to ensure proper receipt flow. It denotes ....

• Price point
• Shelf life
• Category proportions
• Width and depth
• Visual merchandising
• Store layout
• Promotions
• Growth goals
• Reorder points
• Lead time
Lecture 13

Visual Merchandising

**Visual merchandising** is presenting or displaying products in a way that makes them visually appealing and desirable.

The following are common examples of visual merchandising:

- Display Windows. Display windows are glass enclosures on the exterior walls of a shop.
- Store Layout. The floor plan of a **retail** location or showroom.
- Interior Displays.
- Mannequins.
- Point of Purchase Display.
- Lighting Design.
- Music.
- Scent.

The **five** rights include providing the **one** right **merchandise**, at **two** the right place, **three** at the right time, **four** in the right quantities, and **five** at the right price.

Basic **merchandising techniques** include displaying related **merchandise** together, simple and clean displays, ample aisle space, well-stocked shelves and prominent featuring of promotional items.
Lecture 14
Types of Merchandising

• Following are the different types of Merchandising
• #1 Product Merchandising: ...
• #2 Visual Merchandising: ...
• #3 Retail Merchandising: ...
• #4 Omnichannel merchandising: ...
• #5 Digital merchandising: ...
• #1 Merchandising can help in boosting sales: ...
• #2 Attract passerby: ...
• #3 A well-managed and well-kept space:
For retail stores and restaurants, aesthetics is the specific method in which they communicate through the senses, the art of creating customer reactions through non-verbal communication. All of these elements should be mutually complimentary, therefore increasing the overall enjoyment and experience of the customer.

Atmospheric and aesthetic are two important elements of store interiors and almost all retail stores try to excel in these two elements. The concept of beauty and aesthetic sense is not only restricted to the display window, but the whole store is designed and organized in such a way that it meets the customers expectations and motivates them to explore more and find suitable products for themselves ending in sales. The mantra of success in retail marketing is largely decided by the aesthetic element of a store.
Retail Atmospherics

- **Retail atmospherics** refers to anything inside of a retail environment that is intended to influence buyer behavior. This often includes the use of certain colors, designs, smells, lighting, or even music.

- **Atmospherics** are the controllable characteristics of retail space which entice customers to enter the store, shop, and point of purchase. Many retail giants will use elements of atmospherics to help identify their retail brand and set it apart from competitors.

- Change in atmospheric of a store can change the customer's perception and feeling for that particular store. Atmospherics can be used to create environments and influence behaviors of shoppers by affecting their psychology and state of mind (Hoffman & Turley, 2002).
Lecture 17
Retail Enquiry

• Enquiry about the specific product in specific retail store is known as retail enquiry.

• Retail enquiry evidence call. Packagers have been given a final opportunity to provide evidence of unfair practices by supermarkets. The Competition.
Lecture 19

Retail Communication Mix

- Sales promotion
- Advertising
- Media
- Direct marketing
- Personal selling
- Public relations
Lecture 20
Selection of Promotion Mix

- The **communication mix** refers to specific methods used to promote the company or its products to targeted customers. Some depictions of the promotional **mix** include five elements, while others add a sixth – event sponsorship.

**A promotional mix is an allocation of resources among five primary elements:**
- Advertising.
- Public relations or publicity.
- Sales promotion.
- Direct marketing.
- Personal selling.
Lecture 21
Retail Pricing, Retail Setting

What is Retail Pricing? The price at which the product is sold to the end customer is called the retail price of the product. Retail price is the summation of the manufacturing cost and all the costs that retailers incur at the time of charging the customer.

15 Steps to Open a Retail Store
• Choose a Legal Structure for Your Retail Business. ...
• Choose a Name. ...
• File for an EIN. ...
• Determine Your Products or Services. ...
• Determine Your Channels. ...
• Research and Know the Laws. ...
• Define Your Customer Experience. ...
• Write a Business Plan.
Lecture 22

Pricing Strategy

• A **pricing strategy** is a model or method used to establish the best **price** for a product or service. It helps to select one of the **prices** to maximize profits and shareholder value while considering consumer and market demand. The diagram depicts **four** key **pricing strategies** namely premium **pricing**, penetration **pricing**, economy **pricing**, and price skimming which are the **four** main **pricing** policies/strategies.
Lecture 23
Major pricing strategies

Pricing Strategies

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Lecture 24
Pricing strategies

- Cost-plus pricing
- Competition-oriented pricing
- Marginal cost pricing
- Psychological pricing
- Target ROI pricing
- Demand-based pricing
- Experience curve pricing
Lecture 25

- Skim Pricing
- Value in Use Pricing
- Perceived Value Pricing
- Segment Pricing
- Strategic Account Pricing
- Plus-One Pricing
- Fortress Strategy Pricing
Lecture 26 GMROI

• A gross margin return on investment (GMROI) is an inventory profitability evaluation ratio that analyzes a firm's ability to turn inventory into cash above the cost of the inventory. It is calculated by dividing the gross margin by the average inventory cost and is used often in the retail industry.

For improving GMROI there are basically 2 main leverages:
• Improve gross profit. Raise prices. Reduce COGS. Better management of markdowns.
• Improving inventory turnover. increasing sales volumes with the same inventory level. reducing inventory levels and keeping the same sales volumes.
• The GMROI is a useful measure as it helps the investor or manager see the average amount that the inventory returns above its cost. ... Some sources recommend the rule of thumb for GMROI in a retail store to be 3.2 or higher so that all occupancy and employee costs and profits are covered.
Lecture 27
Managing Retail Brands

• **Brand management** is a communication function in *Retail* that includes analysis and planning on how that **brand** is positioned in the *Retail* house, which target public the **brand** is targeted at, and maintain a desired reputation of the **brand**. ... Branding makes customers committed to your business.

• **What are the Different Types of Brands?**
• Product Brands. Product brands are those companies that are often defined by their first or most popular product. ...
• Service Brands. A service brand reflects a brand that delivers complete solutions and intangible services. ...
• Person Brands. ...
• Event Brands. ...
• Geographical Brands. ...
• Miscellaneous Brands.
References

Learning Resources :

• Retailing Management, Michael Levy, Borton A Weitz, Ajay Pandit, McGrawHill
• Retailing Environment and Operations, Andrew J. Newman and Peter Cullen, Cengage Learning
• Retail Management A Strategic Approach, Barry Berman, Joel Evans, Mini Mathur, Pearson
• Retail Management, Suja Nair, Himalaya PublishingHome