

P07 – Operations; Pricing; Awareness

E352 – Retail Logistics

SCHOOL OF
ENGINEERING

Retail Operations



- All tasks required for daily running of retail. Related activities include purchases, inventory control, quality control, storage, logistics and evaluation
 - Daily Tasks
 - Stock Management
 - Cash handling and control
 - Up-keeping of shop image
 - Safety and security
 - Sales Policy



Retail Operations



- Daily Tasks:
 - Shop Opening Tasks
 - Cleaning of working and customer space
 - Switching on the lights and Air-Con and making sure they are functioning
 - Opening the POS
 - Putting up display etc
 - Shop Closing
 - update any damage or incident
 - Replenish packing materials and receipt roll
 - Stock Take, order if required
 - Closing of daily accounts



Retail Operations



- Stock Management:
 - Inventory Management
 - Ordering
 - Receiving
 - Storage
 - Price Tagging
 - Claims for damage
 - Returns
 - Staff Purchase



Retail Operations



- Cash handling and Control:
 - Cash Register operating instruction & precautionary measures.
 - Sales transaction.
 - Updating the POS with the latest pricing
 - Packaging and letting the customer know the total price of the purchase made before payment
 - Cash and credit card transaction. Ensure correct amount is charged to the card or correct change is given back to the customer.



Retail Operations



- Cash handling and Control:
 - Cash memo procedure in case of power failure.
 - Clearly record the transaction and cash collection
 - Petty cash management
 - Must count at least twice daily, once before opening and once after closing to tally with the record
 - All transaction using petty cash must be clearly recorded.
 - All losses must be reported and updated in the record
 - Monthly closing of petty cash account and top up to pre-determined amount.



Retail Operations



- Up-keeping of shop image:
 - Positive image
 - Shoppers more likely to patronise shops that they perceive to be selling quality goods
 - First impression from outside of the store is important
 - Attractive display, good lighting, cleanliness of the store, staff appearance all plays a part.
 - Housekeeping and Maintenance
 - Customer areas must be kept clean, doors and glass display must be cleaned, stains and finger prints are not desirable.
 - Aisles and floor should not be clutter with boxes and goods. They should be kept clear and clean.

Retail Operations



- Safety and Security:
 - Safety is important as accidents tend to generate bad publicity.
 - Preventive measure should be in place.
 - Staff must be trained and taught to have a safety first attitude
 - Keep a look out for potential hazards and rectify them immediately.
 - Pay attention to events ongoing in the shop. E.g. children running around, etc.
 - Detective and preventive measures must be in place. Such as CCTV, convex mirrors, etc
 - Maintenance of monitoring devices must be carried out, to ensure functionality of the monitoring equipment.



Pricing



- Highly sensitive issue
 - For both retailers and customers
- A marketing tool
- Part in the formation of:
 - Retail brand identity
 - Retail promotional activities
- Management issue:
 - Unavoidable relationship between pricing and profitability.



Components In The Price



- Cost Price
 - Price paid by the retailer to the supplier
- Wages
- Cost of distribution
- Rents
- Maintenance
- Marketing activities
- Profit
 - For expansion
 - Reinvestment
 - Rewards for shareholders



Price And Value



- Price relate to
 - Profit
 - Marketing Mix
- Value depends on individual interpretation of worth
 - Relationship between the price of the item and the benefit it brings.



Knowing Your Customers



- Most Consumers work within price thresholds.
 - Upper Price threshold
 - Consumers will not buy if it is above their upper price threshold
 - Feels that price is not worth the benefit that the product brings
 - Will look for substitute or do without
 - Lower Price threshold
 - Will not buy if product is below the lower price threshold
 - Concern of quality

Pricing Strategy



Price planning that takes into view factors such as a firm's overall marketing objectives, consumer demand, product attributes, competitors' pricing, and market and economic trends

- Usually operated on 2 levels.
 - 1st Level (Overall pricing level)
 - The position of the retailer in the market. E.g. Discount supermarket, High end Branded goods store, etc.
 - 2nd level (Tactical level)
 - To meet short term objective
 - E.g. introductory price, defensive price cut, discount to clear redundant stock, etc.



Long-Term Pricing Strategy



- Premium Pricing
 - Use sources other than price as differentiating factors
 - Usually related to high quality goods
 - High level of customer service
 - Provides customer with psychological benefits associated with the symbolic status of shopping.
- Seasonal Pricing
 - Goods with seasonal factor, need to add seasonal dimension into the pricing strategy.
 - Usually involve selling at full price and then markdown at the end of the season.
 - Often referred to as the high-low strategy.

Long-Term Pricing Strategy - cont

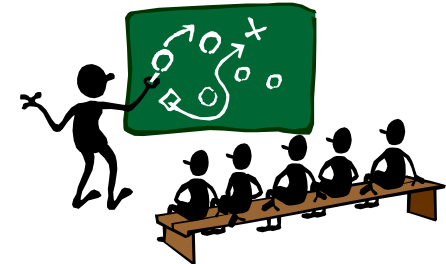


- **Everyday Low Pricing (EDLP)**

- Offer very competitive prices on all their product range, all the time.
- Do not usually offer discount unless the product is discontinued or special prices are given to them by their supplier
- Customers feel that they are receiving a fair deal
- No value added service provided.
- Retailers concentrate on offering good value to the customers.

- **Discount Pricing**

- Different from EDLP
- Product priced lower than average street price
- Some retailers do not have continuity of product range
- Some maintain a relatively consistent range of products at low price.
- Often involve selling 2nd hand quality goods



Short-Term Pricing Strategy



- Loss-leader pricing
 - Often use in cases of extreme competitive action.
 - Cutting prices to an extremely low level, even to the extent of making a loss, and then advertise heavily to attract customers.
 - Due to super low prices, customers may stockpile causing other customers not to be able to buy the goods and may feel cheated.
- Multiple Purchase and Linked Purchase Offer
 - Examples of Multiple purchase offers: buy 2 get 1 free
 - Examples of Linked Purchase Offer: Buy Shirt and get the pants at 50% OFF.
 - Very suitable for FMCG.
 - Effective way to introduce new product
 - Boost sales of a particular product brand

Price War



- Lowing prices is an effective marketing strategy but.....
 - For competitors to follow and match
 - In order to maintain competitiveness, players may continue to cut prices.
 - Price competition on large scale will lead to price war
 - This will have negative impact on all players
- This form of competition is usually avoided by retailers.





- Definition of Retail Promotion_(Web)
 - Any communication by a retailer that informs, persuades, and/or reminds the target market about any aspect of that firm.
- Definition of Promotion Mix _(BusinessDictionary.com)
 - Specific combination of promotional methods such as print or broadcast advertising, direct marketing, personal selling, point of sales display, merchandising, etc., used for one product or a family of products.



- Long-Term Objectives
 - Improve long-term performance (institutional objectives)
 - Related to their image and positioning.
 - Intended to establish and reinforce the store image and position that the retailers wants to project in the customer's mind.
 - Eg, M1 want to project that they listen to and understand their customer, that is You Deserve Better commercial range.
 - Relating to public service
 - Enhance the retailer's reputation as a good citizen in the community.
 - Aim to build up customer goodwill towards the retailer.
 - Eg, donations, sponsoring, etc.



- Short-Term Objectives
 - Improve short-term performance (Promotional objectives)
 - Aimed to increase patronage from existing customers.
 - Directing promotional activities at existing customers.
 - Attempting to increase store loyalty of existing customers
 - Aimed at attracting new customers
 - Attract new customers from existing trade area
 - Expanding trade area
 - Aim to build up customer goodwill towards the retailer.
 - Eg, donations, sponsoring, etc.

Retail Promotion –Tools



- Tools for achieving these promotional objectives
 - Advertising
 - Sales promotion
 - Personal selling
 - Public relations
 - Direct marketing
 - Retail selling environment
 - Visual merchandising
- All these elements combine to give you PROMOTIONAL MIX.
- Each component performs different function, combining them appropriately will give the best results.



Retail Promotion –Tools



- Promotion is not always about reducing price
- Promotion can be successful if they accomplish the followings:
 - Create Curiosity
 - Provide Information
 - Entertain Customers
- Interesting promotion that does not entails reduction of prices can be grouped into 2 categories
 - Competitive
 - Some examples are, Sponsoring of runs, organising interesting races, ugliest gift wrapping competition, essay competition, etc.
 - Non-competitive
 - Some examples are, book signing, lunch at the store, organise seminar for potential customers to know more about the product, celebrity guest appearance, etc.

Advertising



- Advertising is a paid-for non-personal communication by the retailer through various media to its potential or existing customers
- Advertisement has great impact on sales
- Advertisement must be exciting and provocative to make customers walk into your store with a desire to buy.
- Two of the most important features in any ad is to tell the audience who are you and what you are selling.
- Newspapers, magazines, radio, television and direct mail are the most frequently used advertising media.
- Using internet is also increasingly popular now.





- Newspapers

- Once a powerhouse media
- Losing its capability to television, radio, magazine, direct mails and also internet.
- Used correctly, it is still an effective media as the coverage is very high.
- Ads in newspapers must be strong enough to stand on their own because it is very difficult and expensive to get the best position in the papers.
- Ads must be able to catch attention but font must be consistent. You want customer to recognise your company by just looking at the font.
- Cheaper than TV ads and more visual than Radio ads.
- Can target different customers by selecting which newspaper to publish your advertisements.

Advertising



- Radio Advertising

- Powerful because it can paint a larger than life picture
- Must understand that each radio station has their own audience, thus it is important to work closely with the station that has the same audience as your target audience. Be an important client to them and own their audience.
- Radio ads are not visual, thus sound is very important. Have the same sound for all your radio ads is good so that audience can easily relate to your company. Have unique opening and closing will also catch the attention of the audience.
- If shop is small and no budget for radio advertisement, donating of prize to the station is also a good avenue for the radio to mention your shop.
- Sponsoring of a regular feature that your target customers are likely to listen
- Remote broadcast (Broadcasting live from the store) is also very good if you have the budget.





- Television Advertising
 - This is the most Powerful advertising media
 - Very expensive, need to pay for air time and also production of the ad.
 - Can get advertising companies to produce the ad or get TV station to do the ads for you.
 - Can run ad in cable or network TV
 - Need to decide which channel to run ads, this will depend of the target audience.
 - Cheaper slot available during off peak time slots, but reach of the ad may be affected
 - May consider to run less times during prime time and negotiate for more and cheaper runs during non peak slots

Advertising



- Magazine Advertising
 - Less expensive when compared to TV or Radio ads.
 - More visual than Radio ads.
 - Many magazines to choose from, thus need to know which magazine your customers reads
 - Easy to target different groups of people as magazine itself are already targeting different groups of people.
 - E.g. Cleo targets young working adults, Teenage targets adolescences, FHM targets man, Hot stuff targets cars enthusiast



Advertising



- Direct Mail Advertising

- Most cost effective and highest producing advertising vehicle.
- Two different types of direct mails
 - Stupid direct mails: Sending information to people whom you have collected their names and address about something that you do not know if they like or care about.
 - Smart direct mails: You know your customers and send them a message about a merchandise that they like and can afford.
- Can use this to establish a preferred customer program.
 - E.g. sending voucher or invitation to super promotion events to preferred customer only.
 - Robinson sends promotion invitation to its members only for close door sales or addition discount vouchers on top of the discount given in the store.

- Others

- Internet pop-ups, email, banners, in-game, website etc.

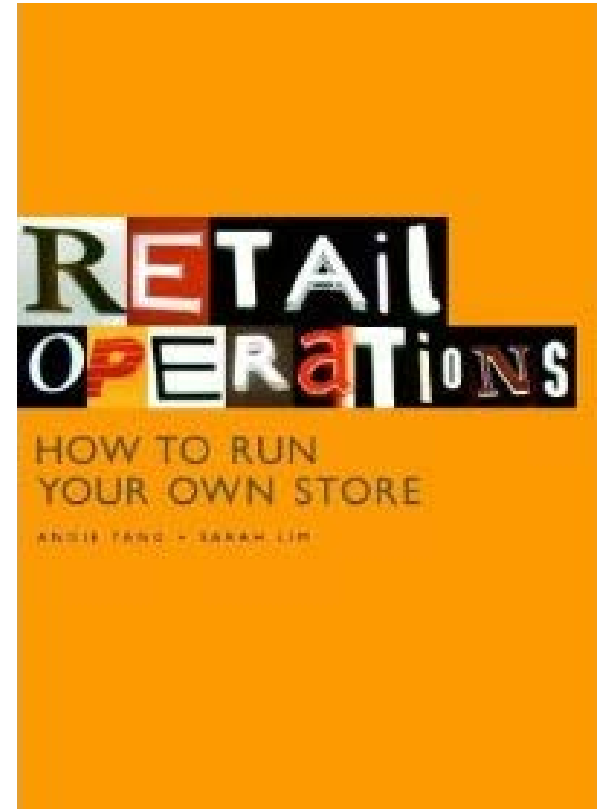


Suggested Solution – Retail Operations



In terms of retail operations, they should look into:

- Daily Tasks
- Stock Management
- Cash handling and control
- Up-keeping of shop image
- Safety and security
- Sales Policy



Suggested Solution – Pricing Strategy



- They should consider both the long term and short term pricing strategies.
- Long Term Strategy
 - Seasonal pricing strategy
 - Fashion items, will have season
 - Need to be able to reduce price on off season products
- Short Term Strategy
 - Multiple Purchase and Linked Purchase Offer
 - Eg, giving discount on 2nd items or buy 3 at a price of 2, etc..
 - This is an effective way of introducing new product

Suggested Solution – Promotion



- Objective

- Promotion tools that Joanne uses must be inline with their objectives
 - Shop and brand image
 - Attract new customers
 - Attract and keep existing customers

- Promotional Tools

- Advertising
- Sales promotion
- Retail environment
- Things that create Curiosity, provide information and entertain customers



Suggested Solution – Advertising



- Suggested Mode of advertising

- Newspaper

- Cheap and can target the mass
 - Can choose to target different groups of people
 - Malay, English, Tamil, Chinese newspapers
 - TODAY, MyPaper and NEWpaper

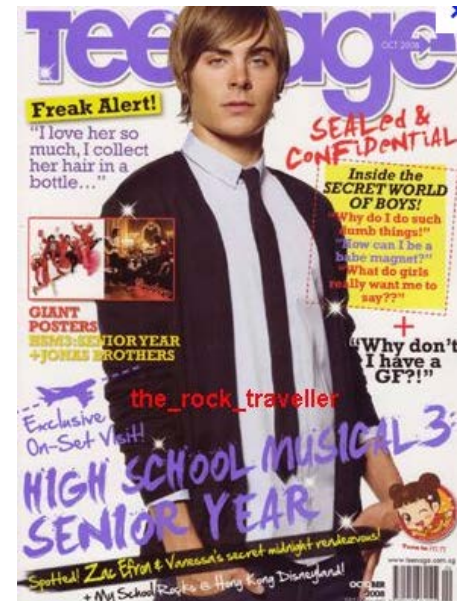
- Magazine

- Different magazine have different readers, good if you have a very specific group of customers you want to target.
 - Joanne can use fashion magazines to promote their products. Eg, are Teens and Teenage magazines

- Others

- Online banners, Facebook ads etc

- Do you think radio, television or even direct mailers are suitable?



Learning Outcomes



- Definite and explain Retail Operations
- Described the Components of Price
- List and explain Pricing Strategy
 - Long Term and Short Term
- List and explain Promotional Mix
 - Long Term Promotional Objective
 - Short Term Promotional Objective
 - Promotional Tools
- Analyse the various Mode of Advertising