

## **RETAIL CERTIFICATION NOTES**

1. What do you mean by retail and retailing?

- Retail involves the sale of goods from a single point (malls, markets, department stores etc) directly to the consumer in small quantities for his end use.
- Retailing – buying large amt of goods from manufactures/wholesalers and selling in terms of individual quantities.

2. Who is a retailer?

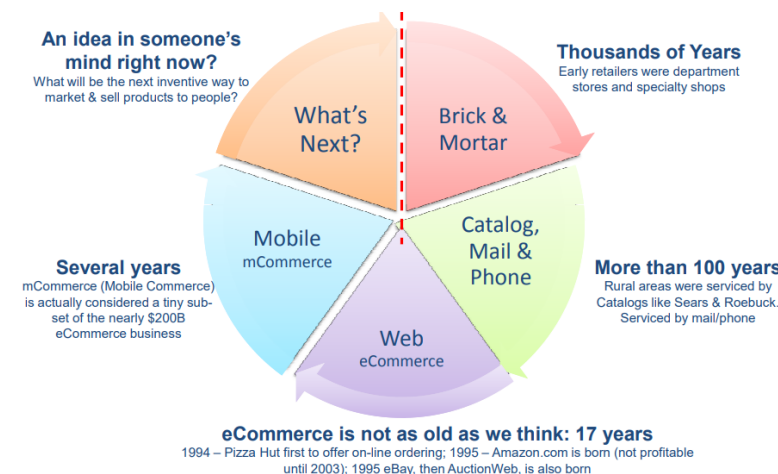
Party which sells the goods

3. Which is the fastest growing segment of retailing?

Non brick and mortar retailing ie., online retailing – e-commerce and m-commerce (commerce used for B2C business to consumer ) transactions, mail order etc.

4. History of retailing ?

Brick and Mortar → Catalog, Mail and phone → Web (eCommerce) → Mobile (mCommerce) → What's next?



5. Which are the major components of the retail industry?

a) Item

Types :

- i. Durable items – Car, Motor etc.
- ii. Non durable items – Food etc.
- iii. Catalog items – Organized, detailed, descriptive list of items arranged systematically.

b) Manufactures

Produces the product and sells to vendors or directly to retailers. (In house products are created by retailers itself.)

c) Vendors (Suppliers) – merchandise and non merchandise vendors

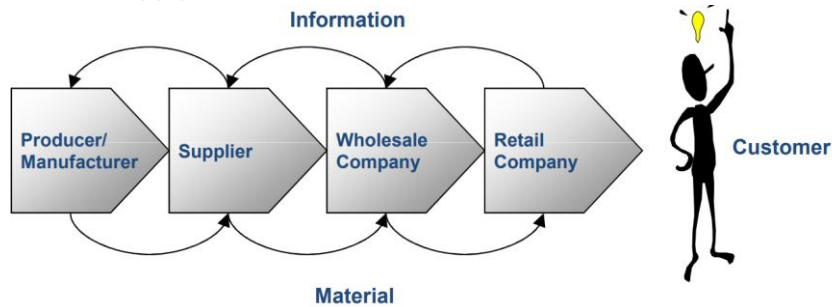
Person or company providing merchandise or service to a retail store. Manufacturers, wholesalers, distributors and service providers can all be vendors.

d) Warehouses

Gets product from vendors and sells to retail stores.

e) Stores

6. What is a supply chain ?



Effective management of supply chain enables a company to move products from their point of origin to that of consumption in less time and less cost.

7. What is Supply Chain Management?

Supply chain management (SCM) is the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible. Supply chain management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption.

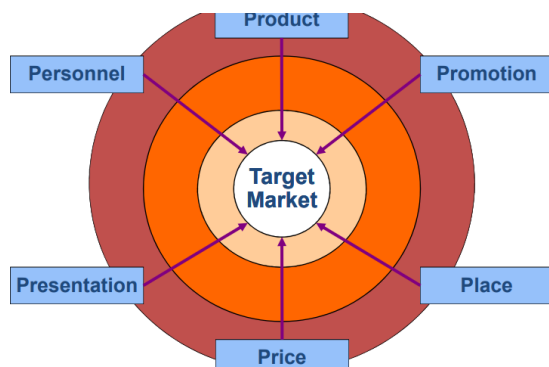
8. Define shopping.

Process of purchasing of products by consumer.

9. What are the basic terminologies of retail industry?

- 1) Retail chain / Chain store
- 2) Distributor – smn who markets merchandise
- 3) Distribution channel – a way of selling company's products → wholesalers/small retailers/chain retailers/own stores/direct mailers
- 4) Store/shop – mercantile establishment for retail sale of goods or service
- 5) Mercantile establishment/outlet/retail store/sales outlet – place of business for retailing goods
- 6) Department store/Emporium - a large retail store organized into departments offering a variety of merchandise; commonly part of a retail chain
- 7) Marketing – commercial process involving promoting, selling, distribution prods or service
- 8) Discount house/discount store/discounter – sales outlet offering discounted goods

10. How to choose the retail mix?



11. What is a retail format?

Retail format is the overall appearance and feel that it presents to the customers.

- Look and layout
- Range of stocks
- Pricing

## 12. Types of retailing?

### 1) Store retailing (Conventional retailing)

Operate from a fixed store location that requires customers to travel to the store to view and select merchandise or service. The elements used to classify store based retailers are

- Merchandise Assortment
- Store Location (convenience), Format, Size
- Level and Range of Services Provided
- Price or Marketing Strategy

### 2) Non store retailing

## 13. How are non store distribution channel/non store retailing classified?

### 1) Distance selling/Electronic retailing

Mail order, catalogue sales, telephone solicitations and automated vending. Electronic commerce includes online shopping, internet trading platforms, travel portals, global distribution systems and teleshopping

### 2) Direct Selling

Includes party sales and all forms of selling in consumers' homes and offices, including even garage sales. Example: Eureka Forbes

### 3) Automatic vending

Advantages

Small amount of space needed

No sales personnel

Disadvantages

High costs of Equipment

Frequent servicing

## 14. Which are the four P's retailers manipulate to get competitive advantage?

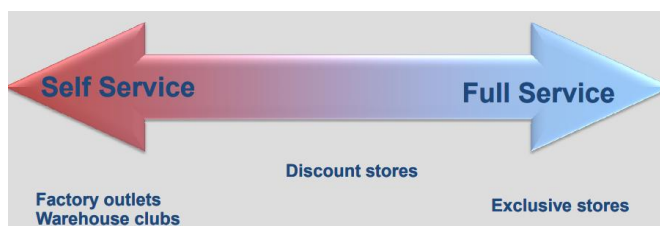
### • Place – ownership

Independent retailers – one store, one owner

Chain stores – many stores, one owner

Franchise – many stores, many owners

### • Promotion – level of service



### • Product – product assortment/offering

The mix of products offered to the consumer by the retailer; also called the product assortment  
Depth of Product Line

- Specialty Outlets

- Category Killers

Breadth of Product Line

- General Merchandise Stores

- Scrambled Merchandising

### • Product price

## 15. Give the examples of store retailing

- 1) Department stores - Examples: Dillard's, JCPenney, Macy's, Bloomingdales, Saks Fifth Avenue, Sears
- 2) Discount stores – Walmart, target, kmart
- 3) Supermarket - Ahold, Safeway, H-E-B, Tesco, Metro, Whole Foods, IKEA
- 4) Hypermarket - Examples: Fred Meyer, Meijer, Super Kmart, SuperTarget, Walmart Supercenter, Carrefour, Big Bazaar, Spencer's Retail, Metro Cash & Carry
- 5) Off price retailer (factory outlets, independent carriers, and warehouse clubs) - TJ Maxx, Ross Stores, Loehmann's
- 6) Warehouse club - Sam's Club, Costco Wholesale, BJ's Wholesale Club, Makro (operates in Europe), PriceSmart (Central America and Caribbean)
- 7) Specialty stores - Perfumania, Zale, AutoZone, Foot Locker (athletic footwear), White House Black Market (women's apparel), Gymboree (specializes in children's apparel)
- 8) Convenience stores - 7-Eleven, Lawson, Asda, Tesco Express, RaceTrac, Exxon, QuikTrip
- 9) Category killers – Ebay, Best Buy, Staples, Home Depot, Barnes and Noble

## 16. Give the examples of non store retailing

Direct retailing

Amway & Herbal life

Vending machines- E.g. Pepsi, Nescafe, coke

Web base retailing

Amazon.com

Catalogues or Mail order

Through news paper, magazines

Home shopping

Through TV demonstration and place order

## 17. What are the item lifecycles?

### 1) Product lifecycle

The characteristics are

- Sales Volume
- Cost of manufacturing the product per Customer (will be low in the initial phases as the no. of customers is less)
- Profits / Product diversifications (variants of the same brand)
  - E.g., Colgate toothpaste Gel, Herbal, Aqua, etc.
- Pricing Strategy
- Distribution of the Product

### 2) Supplychain

The Supply Chain Lifecycle has primarily 5 stages:

- **Design:** Also known as the **conception** stage, this stage is usually a result of market research and emerging consumer needs.
- **Raw Materials:** The **procurement** stage consists of getting the raw materials from various suppliers.
- **Manufacturing:** Also known as **production**, this stage involves assembling the raw materials into the finished product on the basis of the design.
- **Distribution:** This stage involves distributing the items to the warehouses and/or the retailers based on the type of product and the type of agreement with the wholesalers/retailers.
  - This is where the Logistics and Transportation part of the Supply Chain kicks in.
- **Consumers:** Consumers are the last players in the supply chain. The entire supply chain process is to satisfy this last player. Feedback from the consumers are taken back to make improvements in various stages of the supply chain.

### 3) Order

Pre order stages



## Order stages



## 18. What are the common retail financial terms?

### 1) Cost

When a Retailer selects and item to stock in his or her store, there is a negotiation of the price with the item's manufacturer or distributor. The price the merchant pays for the item is the **item's cost**. The purchase –order price that the vendor agrees to charge for the merchandise, including transportation charges, is the **cost for the retailer**

### 2) Stock

Stock refers to the total current value of the merchandise in inventory, measured in dollars. Stock includes the item's entire inventory in all stores.

Value of stock = Total units in inventory \* retail price of each item

Whenever an item is sold or the item's retail price is marked down, the stock level is lowered.

Whenever a new item is put into inventory , the stock, or inventory level, is raised.

### 3) Retail

When a Retailer resells the merchandise to a customer , the customer pays the retail price.

retail price = markup price + item's cost

Markup is being based on covering overhead(the expense of doing business, such as building rent) and on needing to make profit for reinvesting in the future of the business and dividend to owners

### 4) Sales

Sales refer to the total retail dollar value of all items sold during a specific period

No. of units sold \* individual price

## 19. What are the common retail KPIs(Key performance indicators)?

### 1) Sales per hour (for store or associate)

Selling hours only :

Actual sales for store/no. of selling hours during the same period

Total labour hours :

Actual sales for store/no. of labour hours used during the same period

### 2) Time spent in the store

Average time spent by customers in the store can be measured through sophisticated techniques utilizing RFID and wireless technologies or manually. Reason for this measurement: There is a direct correlation between time customers spend in a store and how much they buy.

### 3) Average sales per customer transaction

Total sales for a given period/no. of customers or transactions for the same period

### 4) Units per customer transaction = Total no. of units sold in a given period/ total no. of cust or tran for the same period

### 5) Conversion rate = no. of tran in a given period/total no. of customers who entered the store during the same period

### 6) Wage cost = Actual wage paid for a given period/actual sales achieved for the same period

- 7) Sales per square foot = Actual sales for a given period (usually a month or a year) / total floor area (in sq.ft.) of the store  
There are variants of this indicator in terms of sales per square foot of merchandisable area of choice (like walls and display units.)
- 8) Comparable store sales : Performance of a store this year, against sales for the same period last year
- 9) Shrinkage : term used for stock that is removed from outlet without payment (stock theft, damages, poor stock rotation, etc.
- 10) Markdown vs. Discount: Markdown is a devaluation of a product based upon its inability to be sold at the original planned selling price (say a 20% markdown). A discount, technically is a reduction in the price of an item or transaction based upon the type of customer making the purchase (e.g. employee discount, senior citizen discount, frequent-buyer discount, etc.
- 11) Gross sales : Retailers total sales ( including sales for cash or credit)
- 12) Net sales : Gross sales – return and allowances
- 13) Cost of goods sold (COGS) : cost of merchandise that has been sold during the period