RETAIL SALES MANAGEMENT AND SERVICE MARKETING

MODULE 1: INTRODUCTION TO RETAILING

INTRODUCTION

The distribution of finished products begins with the producer and ends at the ultimate consumer. Between the two of them, there is a middle person—the retailer**.** Retailing is defined as a set of activities or steps used to sell a product or a service to consumers for their personal or family use. A retailer is a person, agent, agency, company, or organization, which is instrumental in reaching the goods, merchandise, or services to the ultimate consumer. It is responsible for matching individual demands of the consumer with supplies of all the manufacturers. Increasingly, retailers are selling their products and services through more than one channel—such as stores, Internet, and catalogs.

What is Retailing?

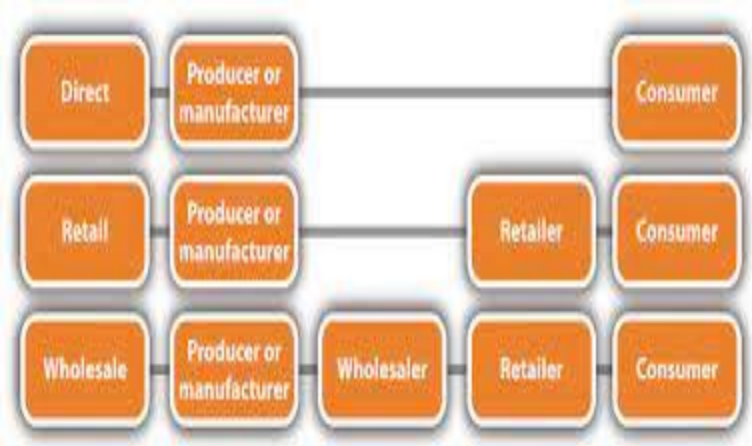
- Most common form of doing business
- It consists of selling merchandise from a permanent location (a retail store) in small quantities directly to the consumers.
- These consumers may be individual buyers or corporate.
- Retailer purchases goods or merchandise in bulk from manufacturers directly and then sells in small quantities
- Shops may be located in residential areas, colony streets, community centers or in modern shopping arcades/ malls

Meaning of Retailing:

According to Kotler:Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non business uses.

According to American Marketing Association: "A set of business activities carried on to accomplishing the exchange of goods and services for purposes of personal, family, or household use, whether performed in a store or by some form of non-selling."

A process of promoting greater sales and customer satisfaction by gaining a better understanding of the consumers of goods and services produced by a company.



Characteristics of Retailing:

1. Direct interaction with customers/end customers.

2. Sale volume large in quantities but less in monetary value

3. Customer service plays a vital role

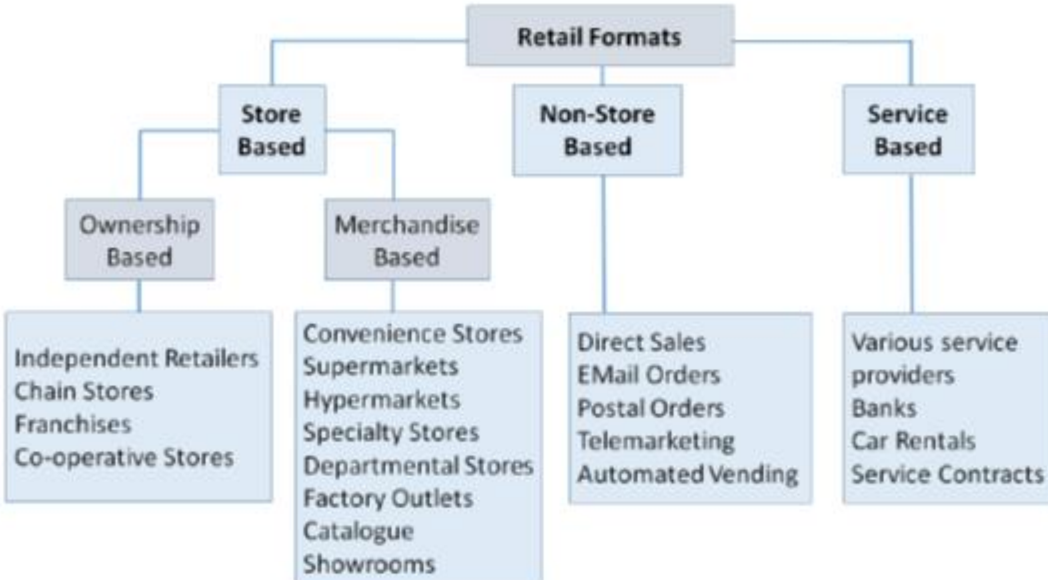
4. Sales promotions are offered at this point only

5. Retail outlets are more than any other form of business

6. Location and layout are critical factors in retail business.

7. It offers employment opportunity to all age

Classification of Retailing Formats



Ownership Based Retailing

Let us see these retailers in detail:

- **Independent Retailers:** They own and run a single shop, and determine their policies independently. Their family members can help in business and the ownership of the unit can be passed from one generation to next. The biggest advantage is they can build personal rapport with consumers very easily. For example, stand-alone grocery shops, florists, stationery shops, book shops, etc.
- **Chain Stores:** When multiple outlets are under common ownership it is called a chain of stores. Chain stores offer and keep similar merchandise. They are spread over cities and regions. The advantage is, the stores can keep selected merchandise according to the consumers' preferences in a particular area. For example, Westside Stores, Shopper's Stop, etc.
- **Franchises:** These are stores that run business under an established brand name or a particular format by an agreement between franchiser and a franchisee. They can be of two types: o Business format. For example, Pizza Hut. o Product format. For example, Ice cream parlors of Amul.
- **Consumers Co-Operative Stores:** These are businesses owned and run by consumers with the aim of providing essentials at reasonable cost as compared to market rates.

They have to be contemporary with the current business and political policies to keep the business healthy.

Merchandise Based Retailing

Let us see these in detail:

- **Convenience Stores:** They are small stores generally located near residential premises, and are kept open till late night or 24x7. These stores offer basic essentials such as food, eggs, milk, toiletries, and groceries. They target consumers who want to make quick and easy purchases. For example, mom-and-pop stores, stores located near petrol pumps, 7-Eleven from US, etc.
- **Supermarkets:** These are large stores with high volume and low profit margin. They target mass consumer and their selling area ranges from 8000 sq.ft. to 10,000 sq.ft. They offer fresh as well as preserved food items, toiletries, groceries and basic household items. Here, at least 70% selling space is reserved for food and grocery products. For example, Food Bazar and Tesco.
- **Hypermarkets:** These are one-stop shopping retail stores with at least 3000 sq.ft. selling space, out of which 35% space is dedicated towards non-grocery products. They target consumers over large area, and often share space with restaurants and coffee shops. The hypermarket can spread over the space of 80,000 sq.ft. to 250,000 sq.ft. They offer exercise equipment, cycles, CD/DVDs, Books, Electronics equipment, etc. For example, Big Bazar from India, Walmart from US.
- **Specialty Stores:** These retail stores offer a particular kind of merchandise such as home furnishing, domestic electronic appliances, computers and related products, etc. They also offer high level service and product information to consumers. They occupy at least 8000 sq.ft. selling space. For example, Gautier Furniture and Croma from India, High & Mighty from UK.
- **Departmental Stores:** It is a multi-level, multi-product retail store spread across average size of 20,000 sq.ft. to 50,000 sq.ft. It offers selling space in the range of 10% to 70% for food, clothing, and household items. For example, The Bombay Store, Ebony, Meena Bazar from India, Marks & Spencer from UK.
- **Factory Outlets:** These are retail stores which sell items that are produced in excess quantity at discounted price. These outlets are located in the close proximity of manufacturing units or in association with other factory outlets. For example, Nike, Bombay Dyeing factory outlets.

- **Catalogue Showrooms:** These retail outlets keep catalogues of the products for the consumers to refer. The consumer needs to select the product, write its product code and handover it to the clerk who then manages to provide the selected product from the company's warehouse.

Non-Store Based (Direct) Retailing

It is the form of retailing where the retailer is in direct contact with the consumer at the workplace or at home. The consumer becomes aware of the product via email or phone call from the retailer, or through an ad on the television, or Internet. The seller hosts a party for interacting with people. Then introduces and demonstrates the products, their utility, and benefits. Buying and selling happens at the same place. The consumer itself is a distributor.

For example, Amway and Herbalife multi-level marketing.

Non-Store based retailing includes non-personal contact based retailing such as:

- **Mail Orders/Postal Orders/E-Shopping:** The consumer can refer a product catalogue on internet and place order for purchasing the product via email/post.
- **Telemarketing:** The products are advertised on the television. The price, warranty, return policies, buying schemes, contact number etc. are described at the end of the Ad. The consumers can place order by calling the retailer's number. The retailer then delivers the product at the consumer's doorstep. For example, Asian Skyshop.
- **Automated Vending/Kiosks:** It is most convenient to the consumers and offers frequently purchased items round the clock, such as drinks, candies, chips, newspapers, etc.

ECONOMIC SIGNIFICANCE OF RETAILING

The retailers play the role of sales specialists and also as agents of purchase for their customers and suppliers respectively. Retailers handle the entire roles and functions aiming at understanding customer requirements and anticipating the demand, gathering information about the market trends through strong market intelligence and making product related assortments and discovering financing opportunities.

It is relatively easier to become a retailer, as large investment is not required, procurement of production equipment is not required, and a retailer can procure merchandise on the basis of credit.

The retail sector in the present scenario is witnessing a fierce competition as a large number of retail players have entered in the same market segment with similar product offerings. The only differentiating factor which may provide a winning edge in the competitive race is by providing better value to the consumers and satisfying the consumers with their offerings. Besides this, a retailer should also be providing justice to the producers and also to the wholesalers by ensuring that their products are sold to the ultimate consumers.

For expansion of business opportunities globally and tapping larger business prospects, large retailers have been diversifying their business formats by way of mergers or acquisitions to cater to the growing needs of a diverse and a larger customer segment. Moreover, the retail industry has been impressive regarding generating large-scale employment opportunities worldwide which is expected to grow at a much faster rate in comparison with the other sectors performance in future as well.

Retailing is important to the national economy for the following reasons:

1. A big part of our personal income is spent on retail goods.

2. It is a major source of employment.

3. In the distribution system, retail is the link to the ultimate consumers.

4. The level of retail sales indicates the consumer's purchasing power, thus it becomes the basis for determining the economic status of the people of a country.

5. It adds value to the product because it creates time, place and possession utility.

6. It accounts for a major portion of marketing costs.

7. Taxes from retail store add income to our national treasury.

Retail management:

The various processes which help the customers to procure the desired merchandise from the retail stores for their end use refer to retail management. Retail management includes all the steps required to bring the customers into the store and fulfill their buying needs.

Retail management makes shopping a pleasurable experience and ensures the customers leave the store with a smile. In simpler words, retail management helps customers shop without any difficulty

RETAIL MANAGEMENT DECISION PROCESS

Being a process, retail management consists of several steps to be followed so as to achieve its goals. These steps are what determine the way the business will be run and how profitable it will be. In retail management, there are four basic steps which have to be followed so as to achieve the goals set. Let us look at these.

A. Planning

A plan is a proposed method of doing or achieving something. It details the steps to be followed so as to ensure resources are well utilized and misuse avoided or at least minimized.

In retail management, planning is what sets the ball rolling. It is the first stage of running the business. At this point, a lot of work is done to set the stage for the final and most visible part of the process—selling.

Planning in itself can be broken into several steps as discussed below.

1. Market Research: You have decided to venture into the retail industry. Your intentions are to gain a considerable market share and eventually be the biggest and most profitable business. If you will for example sell general consumer products, like what supermarkets sell, then you need to research on that. If aiming to sell cars, then you also need to do some homework. When doing market research, you are seeking to find out what to engage in so as to achieve your goals. You want to ensure that you have set everything right in order to avoid unnecessary obstacles. If you are operating from a retailer's level, you are interacting directly with consumers. It therefore becomes necessary to ensure there is a need for the product you want to trade in.

2. Logistics: This step includes detailed organization of how products will move from the supplier to your stores in the event that you are the one collecting them. This has to do with the transport options which you have available, considering the relevant costs.

Apart from transporting, time is also crucial in this stage. It is not enough to know where to get goods from. It is equally important to know what time it will usually take to get them to your store. Part of this is the time spent having your purchase order processed at your point of purchase. Logistics is not just external but also internal. The staff handling logistics must know the size of your store rooms. All the goods that will be received will have to be either going to the shelves or a storage area. It would be a disaster having more products than can fit in your storage area.

3. Expenses: No business can make any profit without keeping tabs on its expenses. Your budget essentially determines how much purchases you make. More than that, it serves as a safety warning because ideally, you should never go beyond your budget.

In this planning stage, you will have to look beyond purchases. Consider the operating costs, salaries to be paid, bills to be settled etc. Calculate the expected costs in terms of rent, marketing, computer systems to be installed and whatever else you will spend money on.

4. Profit margins: You are in business and that means you have to make profit. This is something you have to plan for. Having done your market research and engaged several suppliers on possible quantities and discounts, you should have decided on the appropriate profit margins. It is very possible that when the time to buy comes, there may be a change in the prices. Whether this will be the case or not, once you have decided on the percentages you will make, then it's easy to adjust your prices.

5. Staffing: When staffs are hired in the early stages of planning, they form relations which will help build the team spirit. You can start with a minimum number of employees then increase as you see the need.

In planning for your employees, you should have in mind the various positions you will need to drive your business. From the managers to the cleaners, you will be looking for different qualifications.

6. Inventory Management: The inventory is the backbone of any retail business because the stock is what is making the business stand. Minus the goods, there is no business. This means that the inventory is your company's main asset.

<u>**B. Buy:**</u> This is the process of acquiring the products which you will sell. Although it may seem like an easy step, it is best to recognize its importance. Without careful consideration, you may not be able to maximize on some great opportunities.

There are two basic stages in the buying process.

1. Sourcing: For you to buy, you have to find some sellers. In the retail industry, unless there is only one supplier of a product, it is best to have several suppliers you can buy from. This helps you stay in control of your business in case one is not able to deliver.

In the sourcing stage, you will have to find out who is the best supplier. Note that the best is not necessarily the one who other retailers are buying from. The best is strictly according to your business needs.

2. Procedures: The act of buying involves some processes. These processes can literally make or break your business especially when speed is required. At the same time, your processes must have appropriate checks and balances so as to ensure the safety of your business.

In this age of technology, you most likely have a computer system which is running a software fit for the buying process. There are notable retail systems which have functionality to help you achieve efficiency.

C. Move

This stage describes the processes involved in getting the bought goods ready and available for selling. Several steps are involved as discussed below.

1. Receive goods: Whether you have collected the goods from the supplier or they have been delivered at your store, this is the first step. Here, you have to confirm that the delivered goods are what you ordered. This is a safety measure.

2. Storage: Received goods will normally head to the allocated storage space first. If the products have run out at the shelf, then immediate replenishing should be done.

3. Shelf and product arrangement: Goods have to be arranged on the shelves where customers will pick them from. These arrangements should be done in ways which make it easy to be seen and picked.

D. Sell

Selling could easily be said to be the main thing going on in a retail store.

DIFFERENCE BETWEEN PRODUCT AND SERVICE RETAILING

Products are tangible in nature, whereas services are intangible in nature. Hence, various aspects such as quality, timeliness, behavior, and knowledge of the service delivery professional, service customizations as per the requirement of the customer and use of technological support for improving key processes and enhancing the consumer experience, etc play a crucial role in determining the success of an organization involved in services.

- In the case of Product Retailing, the governing factors are the cost as well as the quality of the products. On the other hand, in the case of service retailing the factors which determine the success of services are timeliness and the overall attitude and conduct of the service providers.

- In Product Retailing the relationship between the consumer and the retailer is developed only when the consumer pays frequent visits to the outlets. On the other hand, in the case of relationship, the relationship between the customer and the service provider is established from the start itself.
- Products are tangible and can be very well stored, whereas, services cannot be stored due to its intangibility.
- Another factor which distinguishes product retailing from service retailing is standardization. Standardization is possible in case of product retailing but not possible in case of service retailing due to the human element involved in the delivery of services.
- Transfer of ownership is possible in case of product retailing but not for service retailing. Once the product is purchased by the consumer, the ownership of the product gets transferred from the retailer to the consumer. But, in the case of service retailing the consumers are only the end users of the services but the ownership remains with the service providers.

RETAIL ENVIRONMENT

We are by now aware that excellent companies take an outside - inside view of their business. These companies monitor the changing environment continuously adapt their businesses to their best opportunities. To the company's marketers falls the major responsibility for identifying major changes in the environment. The retail environment, in particular, is constantly spinning out new opportunities, in bad as well as in good years.

We can distinguish between the retailers' micro environment and macro environment. The micro environment consists of the actors in the retailer's immediate environment that affects its ability to serve its markets: Suppliers, intermediaries, customers, competitors and publics. The macro environment consists of legal, social, economic and technological forces

1. Retailer's Micro Environment

Every retailers' primary goal is to profitably serve and satisfy specific needs of chosen target markets. To carry out this task, the retailer links himself with a set of suppliers and a set of intermediaries to reach its target customers. The suppliers / intermediaries / customers chain comprise the core marketing system of the retailer. We will now look at the forces which after the retailers micro environment.

Suppliers: Suppliers are business firms and individuals who provide resources needed by the retailer. For example a retail store must obtain various products from different suppliers so that as and when customers come and ask the products, he will be in a position to sell them on time. Retail managers need to watch price trends of their key inputs. They are equally concerned with supply availability. Supply shortages and other events can prevent fulfilling delivery promises and lose sales in the short run and damage customer goodwill in the long run

Intermediaries: Intermediaries are firms that aid the retail shop in promoting selling and distributing its goods to final buyers. Large business organizations might hire agents to find retailers and pay commission to these agents based on their success. The agents do not buy the merchandise - they direct retailers to buy and sell ultimately to the consumers. Marketing service agencies-marketing research firms, advertising agencies, media firms and marketing consulting firms - assist the retailer in targeting and promoting its products to the right markets.

Customers: A retailer links himself with suppliers and middlemen, so that he can efficiently supply appropriate products and services to its target market. Its target market may be individuals and households that buy goods and services for personal consumption

Competitors: A retailer rarely stands alone in its effort to serve a given customer market. His efforts to build an efficient marketing system to serve the market are matched by similar efforts on the part of others. The retailer's marketing system is surrounded and affected by a host of competitors. These competitors have to be identified, monitored and outmaneuvered to capture and maintain customer loyalty.

2. Retailers Macro Environment

Various elements such as demographic, legal, social, economic and technological variables affect an organization and its marketing efforts. It is now recognized by all that even a well concerned marketing plan may fail if adversely influenced by uncontrollable factors (demographic, legal etc.). Therefore the external macro environment must be continually monitored and its effects incorporated into Retailer's marketing plans.

Demographic Environment: The first environmental fact of interest to retailers is population because people make up markets. Retailers are keenly interested in the size of the population, its geographical distribution, density, mobility trends, age distribution and social ethnic and religious structure. Retail firms, will have to continuously measure the changes - qualitative as well as quantitative - that are taking place in the population structure.

Political / Legal Environment: Retail marketing decisions are substantially impacted by developments in the political / legal environment. This environment is composed of laws, government agencies and pressure groups that influence and constrain various organizations and individuals in society. Legislation affecting retail business has steadily increased over the years. The legislation has a number of purposes.

Social/ Cultural Environment: In recent years, the concept of social responsibility has entered into the marketing literature as an alternative to the marketing concept. The implication of socially responsible marketing is that retail firms should take the lead in eliminating socially harmful products such as cigarettes and other harmful drugs etc. There are innumerable pressure groups such as consumer activists, social workers, mass media, professional groups and others who impose restrictions on marketing process and its impact may be felt by retailers in doing their business.

Economic Environment: Retail markets consist of purchasing power as well as people. Total purchasing power is a function of current income, prices, savings and credit availability. Marketers should be cognizant of major trends in the economic environment. The changes in economic conditions can have destructive impacts on business plans of a firm. Economic forecasters looking ahead through the next decade are likely to find their predictions clouded by the recurrent themes of shortages, rising costs and up and down business cycles. These changes in economic conditions provide marketers with new challenges and threats. How effectively these challenges could be converted into opportunities depend on well-thought-out marketing programmes and strategies.

Technological Environment: The most dramatic force shaping people’s lives is technology. Advances in technology are an important factor which affects retail marketers in two ways. First, they are totally unpredictable and secondly, adoption of new technology often is prevented by constraints imposed by internal and external resources. At the same time, it should be remembered that technological progress creates new avenues of opportunity and also poses threat for individual firms. Technology has helped retailers to measure the products with modern weighing machines.

INDIAN VS GLOBAL SCENARIO

Retailing In India

Retailing is the most active and attractive sector of the last decade. While the retailing industry has been present throughout history in our country, it is only in the recent past that it has witnessed so much dynamism. It's the latest bandwagon that has witnessed hordes of players leaping onto it. While international retail store chains have caught the fancy of many travellers abroad, the action was missing from the Indian business scene, at least till recently.

With the liberalization and growth of the Indian economy since the early 1990s, the Indian customer witnessed an increasing exposure to new domestic and foreign products through different media, such as television and the Internet.

Apart from this, social changes such as increase in the number of nuclear families and the growing number of working couples resulting in increased spending power, also contributed to the increase in the Indian consumers' personal consumption. These changes had a positive impact, leading to the rapid growth in the retailing industry. Increased availability of retail space, rapid urbanization, and qualified manpower also boosted the growth of the organized retailing sector. Food retailing was a key area that saw some action at the national level, with players like Foodworld, SubMksha, etc., establishing stores all over India. While supermarket and departmental chains replaced traditional grocery and general store formats, introduction of fast foods (McDonalds), packaged foods (MTR, Namma MTR), vending machines and specialty beverage parlors (Nescafe, Tata Tea, Cafk Coffee and Barista) brought about significant changes in the eating habits of Indian consumers.

As mentioned earlier, India has over 5 million retail outlets most of them being small family operated stores. Only 8% of Indian population is engaged in retailing (compared to 10% in the USA). Yet, just next to agriculture, the retail sector contributes to highest percentage of employment. Indian retail industry has seen a phenomenal growth in the last five years. Organized retailing has finally emerged from the shadows of unorganized retailing and is contributing significantly to the growth of Indian retail sector. Research reports show that organized retail will form 10% of total retailing by the end of this decade (2010).With the rapid growth in retail sales, employment opportunities in retailing will also grow rapidly. A few lacs of jobs are expected to be created in retail over the next few years.

Retailing has great impact on economic development of a nation. It provides opportunities to the poorest and unskilled. A small shop can be set up investment. A vibrant retail sector benefits the consumers by providing range of products and services efficiently. A healthy retail sector growth and speeds up economic development.

India is the toast of the world's top global brands and retailers and the retail sector is keen on reinventing itself thanks to the following:

- Rising income
- Change in consumer
- behavior Media explosion ,
- Corporatization of retail
- New breed of entrepreneurs
- Entry of foreign retailers

GLOBAL RETAIL SCENARIO

Retailing has become an intrinsic part of our daily lives. Nations that have enjoyed the greatest economic and social progress have a vibrant retail sector. Retailing is one of the most important industries in the world and plays a predominant role in economic development of the country. Globally, retailing is the largest revenue generator and employment provider next only to agriculture. Retail industry is predominant in developed countries like USA, UK etc. In India it is an upoming industry. Organized sector accounts for over 50% of retail sales in most developed countries including USA, UK, Germany, France etc. Even in developing countries like Brazil, Mexico and China the share of organized retail is much higher than in India.

In USA, the (SOURCE) retail industry employs about 22 million people and generates more than three trillion dollars sales annually. Before the Second World War the retail sector in USA largely consisted of small family run stores popularly called Mom and Pop stores. After the war, with the fast growth in income and changing lifestyles in USA, the modern retail sector dominated by large stores and run by Professional Management began to gain importance. Wal-Mart was established in 1960s. It provided goods at very low prices by buying in bulk and developing very efficient logistics. Over the years WalILlnrt grew exponentially and has become the largest retailer in the world. There is a huge concentration of large retail firms in USA - 10 % of food and general merchandise firms account for over 40% of all retail sales. Some of these large retail chains eliminate the whole sellers and buy direct from the manufacturers making the supply chain very efficient.

In Japan, on the other hand, small firms and stores govern the retail sector. The wholesale channel is relatively much larger. Merchandise has to pass through three to four channel members before reaching the store. This results in reduced efficiency and higher manpower and distribution costs. In Japan, 20% of workforce is employed in retail as against 10% in USA.

In Europe there is a high concentration of retail sales in some countries like UK and Germany. In UK, over 80% of retail sales in food are accounted by 5 large chains. In Southern Europe the market is more fragmented and we find traditional small family owned stores dominating the markets.

RETAIL MARKETING

Retail marketing involves managing marketing activity in the retail sector. Retailing is where the purchase is intended to be consumed by customers through personal, family or household use, and involves – 1) retail stores or 2) non-store retailing. Retail stores include the large mixed retailing department and variety stores – hypermarkets, superstores and supermarkets, discount sheds, traditional specialty shops, etc.

The role of marketing in a retail organization is two – fold. – The first role is to inform the customer that it exists. – The second one is to bring the end consumer closer to the retail stores. Retail marketing can reach the masses and still be much focused and convey the same message in different languages, to varying audiences in the same or different cities / regions.

Retail marketing primarily undertakes following activities:

1. Identify the customer and understand his needs
2. Store the needed merchandise or goods.

3. Attractive presentation of goods for easy identification and convenience.
4. Provide necessary comfort in purchase i.e., location, price, service etc.,

Characteristics or Features of Retail Marketing:

1. Sale to Ultimate Customer:

Goods or service in a retail transaction are sold to final customer for consumption. There is no further re-sale of the product or service. Goods and service sold for consumption may be for domestic or household use or industrial use is classified as retail transaction.

Even sale of spare parts, equipment, machineries etc., to industrial house or business is organized are classified under retail transaction. Once the goods are sold, there should not be further sale of the product or service. It is consumed by the customer or the person for whose benefit he has purchased.

2. Convenient Form (Quantity):

The word retail means cut size 'small piece' or break the bulk. Retailers buy in large quantity from middleman or manufactures; he breaks the bulk and sells in small quantities to match the need of customers. Goods may be repacked or delivered in small packs in convenient form which an individual can carry to his home.

3. Convenient Place and Location:

Retailers deliver goods from a location that is convenient to the customers. In case of physical location. It may be a small store, a shop and multiplex. It may also be over the internet, through mobile or mail order business. Goods/or service are offered to the convenience and comfort of the consumer.

Online shopping through internet, mobile is becoming popular with the growth of I-T and courier service. (Ex- the advertisement of pizza, on the TV is shown delivering within half hour of its order)

4. Last Link in Chain of Distribution:

A retailer is the last link in the chain of distribution. He sells goods to final customer. He connects between middlemen and consumer acting as link between them. He is described as merchandising arm or neck, in the bottle of distribution. He acts as communicator between manufacturer and consumer. Benefits both of them by sharing necessary information that gives profit to manufacturer by manufacturing goods that are liked by the people.

5. Organised Sale:

Retail marketing is organised business of selling to the customer by application of principles and functions of marketing. Un-organised retail like street vendor a Paanwala may not be typically classified under retail marketing.

6. Marketing not Just Sale:

Organised retailing or retailing is not an activity of just a sale. It is a marketing activity. Consumer is offered comfort and convenience and concession in buying goods of his choice. Marketing functions like transportation banking insurance, ware housing are undertaken to create and deliver goods to satisfaction of people. Goods are designed and delivered to match the taste of people and satisfy their desire and thereby ensuring customer delight. Every marketing effort is undertaken in the sale or delivery of goods.

7. Goods and also Service:

Retail marketing is not only connected with delivery of physical goods or merchandise like Grocery Vegetable, Electronic goods etc., it is also engaged in providing services. Now a day's marketing of services is becoming an important areas like Insurance, Tourism, Hotel, Investment etc. With Globalization process, entry of MNC's, development in the field of I-T sector has made marketing of services more popular and developing.

8. Creation of Utility:

Retail marketing creates Form, Place and Time, utility. It breaks the large bulk size into small size and changes the form of product. Place utility is created by bringing goods from place of manufacturer to the place of consumer. Goods are stored in advance and delivered when demanded by the customer. A retailer creates these utilities and their by increases value and utility of goods.

9. Customer Delight:

Retail marketing not only satisfies customer's wants, it ensures their delight. It provides more satisfaction than what is expected through its retail network. Retail marketing collects information regarding type of product decide by them, Communicates such information to manufacturer. Product is designed to match the changing taste of customer. Retailer stores and presents such product to the people in size, style, price and other services through his store that increases satisfaction levels of people.

RETAIL MARKET SEGMENTATION

Retail Marketing deals with identifying and meeting human and social needs. Retail marketing is typically seen as the task of creating promotion and delivering goods and services to retail consumers. The marketer has two options to satisfy the consumers' needs – first he should approach to all customers with identical marketing approach or adopt a differentiated approach for different sets of customers. The first approach in the world of retailing is known as mass marketing, the latter is turned as market segmentation.

Concept of Market Segmentation:

Market segmentation is the process breaking down an entire heterogeneous market into small markets or segments of customers that are identical in terms of some characteristics like needs wants and buying behavior. Retail markets like any other sort of business, may enjoy the benefits of segmenting the markets. Due to increased competition, mass marketing approach is not feasible all the time.

Consumers have various retail formats to shop and distance is not an obstacle these days. A consumer can buy any consumer electronic item form a nearby shop or from a super bazaar; he may also visit to electronic Gallery to buy the same. Therefore, in order to attract customers and sustain them requires market segmentation where a retailer divides his customers into smaller groups and approaches them with different set of promotional programmes.

In evaluating different market segments, retailer considers two factors:

(i) The segment's overall attractiveness

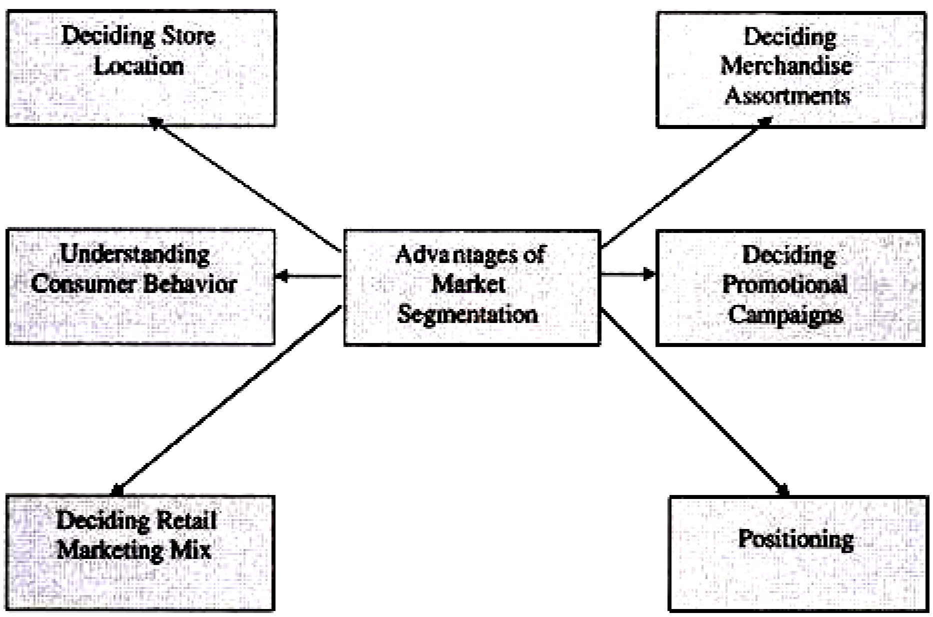
(ii) The firm' objectives and overall resources.

It helps a retailer to customize the goods & services vis a vis its promotional campaigns according to the needs of narrowly defined customer group.

Significance of Market Segmentation:

Retailers segment the market to identify particular groups of Customers in their trading areas so that selling and promotional efforts may be concentrated. The purpose of such exercise is to make the retailer the most attractive destination. Segmenting a market has following advantages shown in figure 5.1.

Figure 5.1
Advantages of Market Segmentation



1. Deciding Store Location:

Market segmentation helps a retailer in deciding locations for its new outlets in case of expansion. The retail stores may be set up as per the concentration of target population. A location which is attractive and has good traffic flow but serves no target market is of new use to a retailer.

2. Understanding consumer behavior:

Market segmentation helps a retailer to understand why consumers behave differently in a same set of marketing and promotional efforts. Once a heterogeneous market is divided into few homogeneous groups, it becomes easy for a retailer to develop an effective marketing & promotional strategy.

3. Deciding retail marketing mix:

Marketing segmentation helps a retailers in deciding 7ps (Product, Price, Place, promotion, People, Procedure and presentation) depending upon the target market to serviced.

4. Deciding merchandise assortments:

A retailer is always bothered about which item of inventory should be bought and displayed on the store's shelves. Once the market is segmented, retailer can decide which item will go on the shelves. For a merchandise decision to be made successful, a perfect understanding of particular target market is essential.

5. Deciding promotional campaigns:

Segmentation helps a retailer in deciding and developing accurate promotional campaigns that hit target at right time and at right place.

6. Positioning:

Segmentation helps a retailer in positioning itself in a particular target market. For Instance, Ebony and Shopper's stop have positioned themselves for higher income level while Vishal Mega Mart and Big Bazaar have targeted the Indian middle class.

CRITERIA FOR EFFECTIVE SEGMENTATION

Identifying the requirements for effective market segmentation allows companies to create marketing campaigns that are essential for their growth and development. Here are the five criteria for effective market segmentation:

1. Measurable: The size and purchasing power profiles of your market should be measurable, meaning there is quantifiable data available about it. A consumer's profiles and data provide marketing strategists with the necessary information on how to carry out their campaigns. It would be difficult to create advertisements for markets that have little to no data or for audiences that can't be measured. Always ask whether there is a market for the kind of product or service that your business wants to produce then define how many possible customers and consumers are in that market.

2. Accessible: Accessibility means that customers and consumers are easily reached at an affordable cost. This helps determine how certain ads can reach different target markets and how to make ads more profitable. A good question to ask is whether it's more practical to place ads online, on print, or out of house. For example, gather data on the websites a specific target market usually visits so you can place more advertisements on those websites instead.

3. Substantial The market a brand should want to penetrate should be a substantial number. You should clearly define a consumer's profiles by gathering data on their age, gender, job, socio-economic status, and purchasing power. It doesn't make sense to try and reach an unjustifiable number of people — you're just wasting resources. However, you also don't want to market the brand to a group too small that the business doesn't become profitable.

4. Differentiable

When segmenting the market, you should make sure that different target markets respond differently to different marketing strategies. If a business is only targeting one segment, then this might not be as much of an issue. But for example, if your target market is college students, then it's essential to create a marketing strategy that both freshman students and senior students react to in the same positive way. This process ensures that you are creating strategies that are more efficient and cost-effective.

5. Actionable

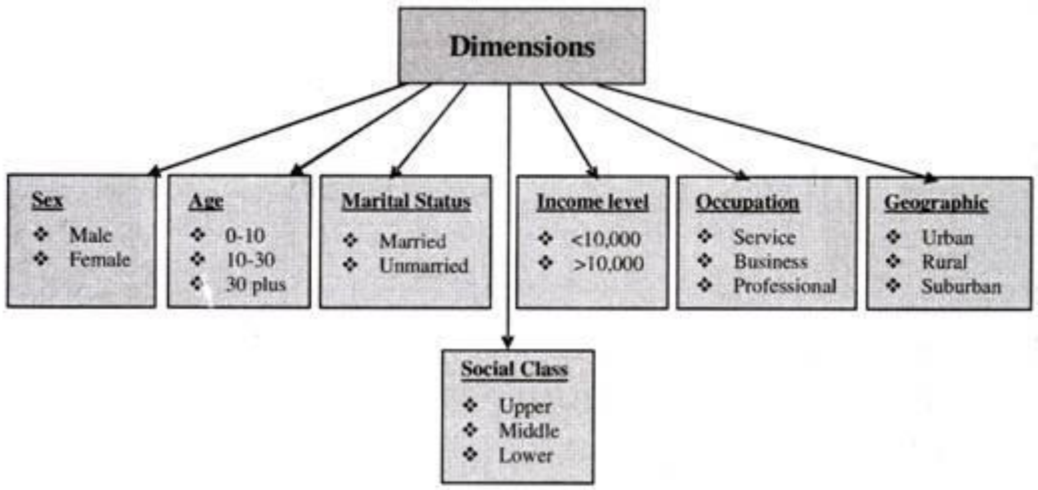
Lastly, your market segments need to be actionable, meaning that they have practical value. A market segment should be able to respond to a certain marketing strategy or program and have outcomes that are easily quantifiable. As a business owner, it's important to identify what kind of marketing strategies work for a certain segment. Once those strategies have been identified, ask yourself if the business is capable of carrying out that strategy.

Dimensions for segmentations:

The Dimensions that are commonly used for segmenting the market are: demographic, geographic, psychographic and behavioral. These dimensions can be used individually to segment a market or the combination of any two or more at a time, for example, a retailer may use a geographical dimension to locate its trading area, a psychographic dimension to divide buyers into different groups and behavioral dimension to understand their buying practices (consumer behavior).

These are discussed as under:

Figure 5.3
Dimensions for Segmentations



1. Demographic segmentation: It is the most commonly used criteria, since it requires information that can be collected easily and that enable you to quickly target a potential market. These criteria include gender, age, nationality, education, profession, income or family situation.

For example, fashion websites commonly segment their audience by gender, i.e. displaying women's or men's clothing.

2. Psychographic segmentation: It is based on traits, lifestyles, attitudes, and interests of potential customer groups. Companies marketing new products, for instance, seek to identify customer groups that are positively disposed to new ideas. Firms marketing environmentally friendly products would single out segments with environmental concerns.

For example**,** Club Med relies on psychographic criteria to optimize its users' browsing journey by asking them to choose between "Sea" and "Mountain" when they visit the website for the first time. They are then segmented into two groups and if they return to the website over the next ten days they'll be taken directly to the category they chose.

3. Behavioral Segmentation: Behavioral segmentation relies on the way visitors interact with the website. Some data depends on their **immediate online behavior** (online) while other data depends on their **past offline behavior** (offline) when dealing with the brand.

- **Online:** time spent on the website, pages visited, point of exit, purchase opportunity (urgent or not), purchase attitude, brand loyalty (registering for newsletters), search engine and device used, traffic source, etc.
- **Offline:** number of visits, purchase history, date and amount of latest orders (RFM).
-

For example**,** to offer its visitors targeted deals, French supermarket chain Auchan relies on the user journeys on its website to segment its audience. Visitors who go to the "childcare", "children", "garden" and "furniture" pages or who add a product from these departments to their cart are targeted with deals relating to their areas of interest.

4. Geographic Segmentation: It entails dividing the market on the basis of where people live. Divisions may be in terms of neighborhoods, cities, countries, states, regions, or even countries. Considerations related to geographic grouping may include the makeup of the areas, that is, urban, suburban, or rural; size of the area; climate; or population.

For example, manufacturers of snow-removal equipment focus on identifying potential user segments in areas of heavy snow accumulation. Because many retail chains are dependent on high-volume traffic, they search for, and will only locate in, areas with a certain number of people per square mile.

TARGET MARKET EFFORTS IN RETAILING

A target is a group of existing or new buyers of a product/service. There exist three types of markets consumers, industrial and re-seller. But a retailer is concerned about only consumers market and is usually known as retailer's target market. While identifying a target market, a retailer needs to look at the ability of firm's resources and the future potential of the segment.

Retailers should study the behavior of consumers in their target markets to develop an effective cost-efficient and cost-effective retail marketing mix. The very first step in developing a marketing mix plan is to develop a customer profile for the market segment or target market. It covers all those information that enable a retailer to know the usage patterns, liking and disliking of his customers. Once the buying patterns are known (regular versus irregular buyers), a retailer can effectively allocate finances to reach its target market in most efficient manner.

Target marketing:

To predict how large or small a market may be, retail professionals count the potential buyers. For this purpose, retailers usually count loyal customers who do regular purchasing.

Certain essentials exist for a useful target market:

1. The buyers' ability to purchase products and services.

2. The willingness to buy the products and services

3. An eligible number of people in the market to generate profits.

The buyers' ability means that the customers have adequate purchasing power to shop. Most of the customers cannot afford Mercedes, BMW car because of inadequate discretionary income. The willingness to buy refers to the customer's experience may not to shop at that retail store again.

Further, an unsatisfied customer spoils others not to shop from the store. This is the reason why personal touch and efficient customer service is essential for all the retailers. Shoppers who visit first time in the store and have no perceptions about the store are significant from the retailers' target market point of view. And shoppers' who are unwilling and unsatisfied from the retailer's store should not be included in the target market.

POSITIONING DECISION

Positioning in marketing is a strategic process that involves creating an identity/ image of the brand or product within the target customers' minds.

The process indicates how you differentiate your product/ service from that of your competitors and then determine which market niche to fill. A company's marketing positioning strategy is affected by plenty of variables related to customers' requirements and motivations, as well as by its competitors' actions.

Let's see some typical examples of marketing positioning:

- Tesla and Audi position themselves as a luxury status symbol
- Starbucks positions itself as a trusted source of upscale quality coffee and beverage
- McDonald's positions itself as a place to get quick and cheap meals
- Microsoft and Apple position themselves as a tech company that offers innovative and user-friendly products.

Positioning Strategies

The positioning possibilities that exist for any given brand or service are almost infinite in number. Some commonly used positioning strategies:

- Positioning against a Broader Market For example, positioning a bicycle brand as a substitute for automobiles, rather than as a substitute for other brands of bicycles.
- Positioning against a Price Segment of the market. For example, positioning a car brand against imported luxury cars.
- Positioning against a Usage Segment of the market. For instance, positioning a brand of cooking oil as best for sautéing vegetables.
- Positioning against a Geographic Segment of a market. For example, positioning Ford trucks as made for driving conditions in Texas.
- Positioning against a Psychographic Segment of the market. As an example, positioning Volvo for drivers who are primarily concerned about safety.
- Positioning against a Channel of Distribution, such as supermarkets, or convenience stores, or hardware stores, or vending machines, etc.
- Positioning against a Media Channel; for example, positioning a line of Western clothing as for listeners of Country Music on radio stations.
- Positioning against a Season of the year, or against a Competitive Brand, or against a Consumer Fear, etc.

How to Create an Effective Market Positioning Strategy?

Create a positioning statement that will serve to identify your business and how you want the brand to be perceived by consumers.

For example, the positioning statement of Volvo: “For upscale American families, Volvo is the family automobile that offers maximum safety.”

1. Determine company uniqueness by comparing to competitors

Compare and contrast differences between your company and competitors to identify opportunities. Focus on your strengths and how they can exploit these opportunities.

2. Identify current market position

Identify your existing market position and how the new positioning will be beneficial in setting you apart from competitors.

3. Competitor positioning analysis

Identify the conditions of the marketplace and the amount of influence each competitor can have on each other.

4. Develop a positioning strategy

Through the preceding steps, you should achieve an understanding of what your company is, how your company is different from competitors, the conditions of the marketplace, opportunities in the marketplace, and how your company can position itself.