CHAPTER 1

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1.1 INTRODUCTION

This topic is opened with the overview of Retailing, Retail Marketing and Retailers with distribution channels. Retailing has its traces in past centuries but its systematic study is necessitated in recent years due to the changes in the elements of retailing. With this regards Retail Marketing Mix, Direct Marketing, The Wheel of Retailing, Level of Services and Micromarketing in Retailing, Rural Retailing and Importance of HRM in Retailing can be categorize. The success or failure of retailers is largely dependent on their marketing efficiency and ability of understanding and serving the needs of the consumers.

1.2 RETAILING OVERVIEW

Retailing is not only an essential part of our economic structure but also mold our lifestyle. A retailer tries to indentify targeted market is the process in the retail marketing. He further work out the market mix in terms of nature of merchandise and services offered. Retail Marketing do the pricing policy, location, store design and visual merchandising, promotion and advertising in order to satisfy the target market’s needs and build up a sustainable competitive advantage. Therefore their main focus will be on identifying the need of the targeted market. So that it helps to satisfy these need more effectively and efficiently.

Any business that selling to final consumers whether it is a retailers, wholesalers, manufacturer or industrialist is actually doing retailing. Therefore final step in distribution channel is called Retailing. Retailing is done by the merchandise to consumer for consumption purpose. Further it can be said that any business that sells product to final customer is performing retailing function.

1.3 RETAIL MARKETING

The trading of goods has always been a part of traditional societies in India. Therefore retail marketing in India can basically divided into two types. One is organised retail market and another retailing through unorganised retail market. Trading activities taken over by licensed retailers called organised retailing. These includes the super market, corporate backed hypermarkets, departmental stores, retail chains, malls, specialty stores and also the privately owned large retail businesses. On the other hand unorganised
retailing format means the traditional low-cost retailing. It includes local kirana shops, pan beedi shops, general stores by owner manned, vegetable market, weekly market, convenience stores, and hand cart etc.

1.4 RETAILERS WITH DISTRIBUTION CHANNEL

From an traditional marketing viewpoint, the retailer is one of many possible organizations through which goods produced by the manufacturer flow on their way to their consumer destiny. These organizations perform various roles by being a member of a distribution channel. Channel members, or marketing intermediaries as they are sometimes referred to, take on activities that a manufacturer does not have the resources to perform, such as displaying the product alongside related or alternative items in a location that is convenient for a consumer to access during shopping.

This shift in power from the manufacturer to the retailer has been further enhanced by information technology that has enabled retailers to gain a greater understanding of their customers' purchasing patterns and preferences. Today, retailers place a lot of emphasis on customer service

1.5 THE RETAILING CONCEPT

The four principles form of the retailing concept. Retailing concept has a sincere long-term desire to please customer for retailers. Therefore the retailing concept can be describe in figure 1.1 as follows.

![Figure 1.1 : The Principles of Retailing Concept](image-url)
a) Customer Orientation: The retailer determines the attributes and needs of its customers and endeavors to satisfy these needs to the fullest.

b) Coordinated Efforts: The retailer integrates all plan and activities to maximize efficiency.

c) Value Driven: The retailer offers good value to customers, whether it be upscale or discount. This means having prices appropriate for the level of products.

d) Goal Orientation: The retailer sets goals and then uses its strategy to attain them.

1.6 RETAIL MARKETING MIX

Retail Management is an important constituent of retail marketing management. All the important principles of marketing management are also applicable to retail management including marketing mix. The components of the retail marketing mix can be described in figure 1.2.

![Figure 1.2: Components of Retail Marketing Mix](image)

- **Product Offerings**: This refers to the product mix that the store retails for consumers after a careful study of what their needs and wants. By matching customers preferences with an assortment of merchandise offered within the store categories, the retailer gets an ideal basket size per customer. The basket size contain the mix of items a customer buys during a visit.

- **Place**: This is the location of the store and its catchment boundaries. The key to optimizing the element of place in the marketing mix is to undertake local marketing efforts besides the national marketing plan. Determining the market share of the store in the catchment area gives an indication of its performance and efficiency.
**Promotions and Events:** These help the store to achieve its short term goals. Promotions may be price-led or occasion-led, in which case special merchandise is offered by the store only for the occasion. Most retail organisations run promotions during festival seasons. Sometimes promotions are driven by brands in cooperation with the retailer. Retail events are gaining significance in India with retailers preferring them to direct price offs. However, if run very frequently promotions may prove detrimental to the image and positioning of the store.

**Presentation:** Presentation is the way products and services are grouped and presented in a retail store. Such presentation should conform to the stores positioning and customer profile. A boutique selling designer garments need to present its merchandise in exclusive splendour. It cannot use ordinary furniture and fixtures.

**Price:** Price is an important element in marketing mix as customers are very price sensitive. Pricing is of different kinds i.e. Maximum Retail Price, Loss leader price, Odd price, Everyday low pricing etc. If pricing is innovative and exclusive to the identify of the store, offering the right value to the buyer, it will bring in more and more customers and help the retailer to retain them as well.

**People:** There are two kinds of people as far as the retail marketing mix is concerned. First is People to serve and another one is People that serve. It is customers who determine whether the retail store is selling the right products and services. People that serve the organisation are the ambassadors or the face of the retail store. Excellent delivery standards which go hand in hand with the image and positioning of the store can be achieved only if the staff are trained well.

**1.7 DIRECT MARKETING**

Direct marketing enables retailers to establish personal contact with the consumer. The retailers can then have a database of buyers along with their buying occasions and preferences thus ensuring that they can have effective and timely communication directly with consumers. It also provides a key differentiating factor, along with the information direct marketing will ensure effective communication that will persuade customers to
respond instantaneously. The different types of communication in direct marketing are shown in figure 1.3.

![Figure 1.3: Types of Communication in Direct Marketing](image)

1.8 THE WHEEL OF RETAILING

It is a concept in which the changes take pace, right from entry in the market to exit from the market. As a new entrant in the market in order to attract the customers, the retailer offers the products at lesser price or products with discount to the consumers. As the business grows and he gains hold of the business, he withdraws the discounts or increases the price.

The retailer attends the up market position but it may not hold this position for longer period due to high costs, declining efficiency and, perhaps, stagnating management that results into down turn of the sales which may result into extinction of the retailers from the market and opportunity for the new entrant.

There are three stages in the wheel of retailing entry, vulnerability and trading up as shown in as figure 1.4 follows.
The modern retailing is highly competitive. Operations due to brand loyalty, efficiency with which the operation is carried out, the increasing consumer awareness, the speed of economics, social and technological change has an effect on wheel of retailing.

1.9 LEVELS OF SERVICES

The retailing hypothesis explains one reason for the modern retail formats to come out. Modern retail formats meet widely different consumer preferences on account of various service levels. Levels of services design in figure 1.5.
1.10 MICROMARKETING IN RETAILING

Micromarketing has a narrow marketing focus. It hits the bull eye of the target customer. Micromarketing is hence therefore a portfolio approach, catering to well understood specific segments with clearly focused categories. Micromarketing can enable Indian retailers to come up with tactical programmes which cater to the need of specific personal customers or customer groups by identifying meaningful clusters.

1.11 RURAL RETAILING

A major share of the Indian population is still put up in rural India. Slowly, it is beginning to come out as a important consumption area in India. The rural customer is more aware of things and products. He further willing to take trial with these new products. Some of the specific features which point towards an emerging rural retail market. A steady growth of the rural middle class and the rural market in terms of its sales volume has prospered over the years. Moreover, rural marketing as a segment is yet to develop in India. Table 1.1 gives a comparison between urban and rural market.
Table 1.1: Comparison between rural and urban markets

<table>
<thead>
<tr>
<th>Specifics</th>
<th>Rural Market</th>
<th>Urban Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total size of market for FMCG Products</td>
<td>41,550 Crore</td>
<td>37,130 Crore</td>
</tr>
<tr>
<td>Market share of total market</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>In Service Industry</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Out of 2 Million BSNL Mobile</td>
<td>50%</td>
<td>50%</td>
</tr>
</tbody>
</table>

(Source: Suja Nair, Retail Management, Himalaya Publishing House)

From the above table 1.1 it can be seen that there is huge potential for rural marketing. However, it is necessary for retailers to analyse the market more in depth, understand the local tastes and preferences and then work out a suitable marketing strategy. Following some of the parameters which have to be considered before starting a retail business in rural areas.

- **Develop a Different Business Model:** When compared to urban population, most of the rural people will fall under the lower income group. Thus the retailer must develop a long term strategy, while entering such markets, which focuses on boosting the income levels and generating more surplus within the economy. For instance, the retailer could start a venture where they could purchase the local merchandise at a good rate and also sell these products at a lesser price within the community. This would generate surplus within the rural population and also deliver a higher value when compared to say, a standalone business.

- **Select a Suitable Merchandising Mix:** Merchandise needs for a rural consumer will be difference from the requirements of an urban area consumer. Thus, instead of making assumptions on rural tastes and preferences, based on urban experiences, retailers must conduct researches to understand the needs of rural customers. There is a wrong perception exists about rural consumers by urban retailers might wrongly assume that all lower-end product of urban retail stores could sold well in rural retail outlets. Thus, it is necessary that retailers first understand their retail customers requirement and then create the right merchandise mix to sell at their rural retail outlet.
Prepare for Infrastructure and Travel Time: It is well known that unlike urban India, rural customers are sparsely distributed across a large area. Hence they will be required to travel a long distance, over badly maintained roads to reach the store. A study on rural customers buying patterns revealed that more than 43% of the villagers travel more than 5 kilometers to buy their groceries. In fact, around 70% of the rural customers buy consumer durables, agri-inputs and apparels from the nearest city. Thus, retailers should seek the governments help in improving the rural roads, so as to make super stores more accessible to rural customers.

Understand the Rural Customers Mindset: There is a rampant of fake and look alike products easily accessible in the rural market. Further, the local rural retail stores only stock a limited stock of goods, forcing customers to go to the towns to make their purchases. Thus, organised retailers when trying to tap the rural market, must try their best to gain the trust of the rural customers through display of quality merchandise in sufficient qualities too.

Organising the Rural Retailing Team: It is necessary for retailers to have a rural retailing teams having an adequate understanding. It further exposure to all rural area. Ideally said, it will be better to employ local staff in the rural retail outlets.

Planning to Achieve Proper Sales and Objectives: Two essential facts which have to be considered by rural retailers are, the density of rural areas is quite low when compared to urban areas and the purchasing power of rural customers is quite low and so there could be lower sales per store. This means retailers will have to properly plan out their store overheads and long term business objectives. A very important aspect which needs to be noted is that rural consumers are ethnically very rich.

Thus organised retailers can plan to invest in rural retail formats through using cutting edge distribution strategies, logistic plans and innovative marketing strategies in order to reach and meet the needs of the rural customers.

1.12 STRATEGIC RETAIL PLANNING PROCESS
It involves a chain of steps for retailers who go through while developing a strategic retail plan. The steps shown in following figure 1.6.

- **Define the Business Mission**: The first step in the strategic retail planning process is to define the business mission. The mission statement is usually a broad description of a retailer’s objectives and the scope of activities it plans to undertake. It will indicate the general nature of the target segment and the retailer formats which the company will consider.

- **Conduct a Situation Audit**: Once the mission statement and objectives are set, the next step in the strategic planning process is to have a situation audit. Situation audit means do an analysis of the opportunities and threats in the retail environment as well as the strengths and weaknesses of the retail business relative to its competitors. While performing the situation audit, the retailers will have to do a self-analysis in terms of management capability, financial resources, operative strength, merchandise capabilities, store management capabilities, locational strengths, loyal customers etc. in order to determine the potential areas for developing competitive advantage.

![Diagram of Strategic Retail Planning Process](image-url)

**Figure 1.6: The steps in Strategic Retail Planning Process**
- **Identify Strategic Opportunities**: After doing the situation audit, the retailer will have to identify strategic opportunities for increasing retail sales. These could include growth strategies for the retailer such as market penetration, market expansion, diversification strategy etc.

- **Evaluate Strategic Opportunities**: Once the situation audit is done, the next step involves making an evaluation of the opportunities in order to determine the retailers potential to build up a sustainable competitive advantage and reap long term benefits. Typically, evaluating strategic opportunities calls for looking into market attractiveness and the strengths and weaknesses of the retailer. Such an evaluation will enable the retailer to make proper investments looking to the market opportunities and then build up a strong competitive position.

- **Establish Specific Objectives and Allocate Resources**: The retailers overall objective is included in the mission statement. The specific objectives are goals against which progress towards achieving the overall objective can be measured. The specific objectives include three components. The first one is performance sought in terms of a numerical index against which progress can be measured. The second is time period within which goal is to be achieved. The third is level of investment required to achieve the objective. The performance will be measured by looking into the return on investment, sales or profits.

- **Develop a Retail Mix to Implement Strategy**: The sixth step in the strategic retail process involves developing a retail mix for the strategic opportunity in which investment will be made and to control and evaluate the performance. The retail mix will include planning merchandise assortments, buying systems and merchandise, planning the retail communication mix and customer service, store management, visual design and merchandising etc.
Thus the strategic planning process will help the retailers to evaluate alternatives using financial theory and market attractiveness.

1.13 IMPORTANCE OF HRM IN RETAILING

Human resources management is a function mainly concerned with people at work and with their relationship within the organisation. Human resources can be treated like any other natural resources and can be used for the development of the organisation. It can be defined as planning, organising, directing and controlling functions for the purpose of employing, developing and compensating human resources leading to the creation and development of human relations within the organisation with the intention to contribute proportionately to the individual organisational and social goods.

With this explanation, it can be said that the main feature of HRM is being concerned with managing human resources at work, development of their knowledge, skills, capability, potentialities and thus them to attain and achieve individual goals along with the organizational and societal goals using an integrated approach. Retailing firms will be able to achieve their financial objectives provided they manage five critical assets effectively namely location site, merchandise inventory, stores, employees and customers.