CHAPTER -3
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STRATEGIC ISSUES IN ORGANIZED RETAILING:

1. Understanding Consumer behaviour
2. Store design and layout
3. Pricing strategies
4. Promotion Strategies
5. Information Technology Support System
6. Supply chain management
7. Importance of customer service.

1. UNDERSTANDING CONSUMER BEHAVIOUR:

In India, the retail structure is a mix of both organized and unorganized so for the organized sector to stand and entice the customer through unique product offering, through a strategic approach the retailer works at positing
his product/service offering the market with unique image, price and quality features. Organized retailing has come a long way and with the help of retail marketing they are able to reach consumers by placing before several products and service of good quality and make them delighted with their shopping experiences. Retailers make choices about cost side and demand side characteristics of their business, on the cost side they commonly focus on margin and inventory turnover goals. On the demand side the retailers choose what services out puts to provide to their shoppers. Traditional retailing systems have been categorized as high margin low turn over operations offering numerous personal services. In contrast organized retailing system are characterized by low margin high inventory turnover with excellent personal service. They generate high rate of return on the capital employed in their business by continuous improvements in asset management made possible by using sophisticated information system.

**Importance of Understanding Consumer Behaviour:**

The constant changes in the demographic and psychographic profile of Indian consumers is giving the retailers and blurring picture, customer may be engaged in
different behaviour depending upon whether it is a HABITUAL DECISION MAKING. (Purchasing familiar merchandise), LIMITED PROBLEM SOLVING (moderate effort and time involved) or EXTENDED PROBLEM SOLVING (customer spend considerable time and effort to analyze alternative and the decision involve a lot of risk uncertainty). Retailers try to influence customers engage in extended problem solving by providing information regarding the merchandise its specification and knowledgeable sales persons to guide the customer. In case of limited problem solving the customers may go for impulse buying influenced by merchandise displayed at the retail outlet thus depending upon the type of decision making process the customer is engaged.

Stages in Buying Process

a. Need Recognition

The buying process start with need recognition stage. The needs which induce and motivate customer to go for shopping is classifieds as functional or psychological. Functional needs are directly related to the functional performance of the product. Psychological needs are associated with personal gratification that customer can feel
after purchasing many products. Customer, satisfy both functional and psychological needs. Organized retailers try to satisfy these needs through innovative promotional schemes.

b. Information Search

After recognizing the need customer try to search information about retailers or merchandise, the role of the retailers at this stage is to use the various marketing mixes so that the customers search ends at the particular retailers outlet for which retailer must use visual appeal, attractive store design, broad assortment for competing brands, colour sizes attractive promotional offers reasonable prices etc.

c. Evaluation of alternative

It start when customer view a retailer or product as a collection of attributes or characteristics and evaluate on the basis of its performance on relevant attributes and importance of them to the customer. Retailer have to develop programmes for attracting the customer by obtaining the information.
1. The Other stores which the customer may consider.

2. Benefit or features considered by the customer.


4. The weightage that customer attach to the features.

On the basis of these information retailer develop programmes for attracting customer.

d. Purchasing the Merchandise

In this stage when customer are planning to purchase the merchandise retailer could adopt steps which will increase the likelihood of the customer converting their positive evaluations into actual purchases. These steps are.

1. Keep the complete stock of merchandise in the right assortment and sizes.

2. Liberal policy regarding merchandise return and refund.

3. Less time gap between perceived and actual waiting time, convenient checkout terminals.
e. **Post Purchase evaluation**

The buying process does not end with the customer making a purchase but it will be post consumption evaluation of the product or service which will indicate whether the customer is happy after purchase and usage of the product. If the customer is satisfied he/she will be motivated to purchase at the store but the post purchase dissatisfaction may result in complaining to the retailer and patronizing other stores.

**Factor influencing customers buying decisions**

Customers buying decision are affected by their social environment comprising of the customers family, reference group and culture apart from personal characteristics such as beliefs value and attitudes.

![Diagram](image)

**Factors influencing customers buying decision**
Family decision making takes place when purchases are made for the entire family hence the retailers must understand the role of the family members in the decision making process and try to influence them. Organized retailers should work out purchases or programmes so as to attract all family members and satisfy all their needs also.

Reference groups consist of family members friends etc. These reference groups can affect the customers buying decision by.

- Providing information
- Providing rewards for specific purchasing behaviour.
- Enhancing the consumers self image.

In India we have our own share of belief value, customs which distinguishes us from the other countries some of the uniqueness having relevance for marketing include, rituals, eating hobbits, dressing style living pattern celebrating festivals, marriages and so on. The sub cultural category of religion will be Hindu, Muslim, Christian, Sikh, Jain etc. Retailers in India are using their own strategy to understand consumer behavior and adopt market
segmentation strategies accordingly. Big retailers before establishing the location for any store they study the consumer behaviour the understand the potential of the market and also the buying pattern of the consumes, at the store they also conduct interviews use observation and have even tried on line data capture through information kiosks at the store.

2. **STORE DESIGN AND LAYOUT:**

Organized retail stores are characterized by large professionally managed format store providing goods and services that appeal to the customers, goods and services that appeal to the customers in an ambience that is conductive for shopping. Modern retailing is characterized by value, variety, convenience and service for the customer to interface more directly with the products, read labels, compare prices shopping is no longer an activity merely for acquisition of goods and services. It is performed for both utilitarian (functional) as well as hedonic (Pleasurable) reasons. The environment encountered by consumer in their shopping activity has been the object for a growing attention and this area of interest is termed 'Atmospherics' by Kotler (1973). It is clear that the physical environment is
an important determinant of consumer perception and future behaviour, store interiors and exteriors can be designed to create specific feelings in shoppers that can have an important reinforcing effect on a purchase. Retail atmospherics is fast gaining grounds in the Indian market. The growing preference for branded quality products and the importance of time spent on leisure shopping has supported the shift from Kirana shops to organized retailers.

McGoldbrick and Greenland have shown how a distinct range of environmental elements can be linked to five biological channels these consist of

1. Visual eg. colour, size, shape brightness.
2. Aural eg. volume pitch music noise.
3. Olfactory eg. Scents and freshness.
4. Touch eg temperature, smoothness, softness.
5. Taste both visual and olfactory senses.

Atmospherics does play a critical role in enhancing the shoppers experience. It stimulates the shoppers mood and
affecting their decision making process. Customer are more satisfied with services acquired in a organized professionally managed environment than with those acquired in a disorganized environment.

**Exterior Retail Atmospherics:**

1. **Size of Retail Store:**

   Small and large retail stores are differ as these stores emphasize different aspect of product and service delivery to fit their strengths. Small store are more flexible and capable of adapting to changing consumer demand, close conduct with customer, personal attention and focus on services. Larger retailer because of their size of inventory selection of merchandise lower prices and after sale service tend to position themselves more trustworthy, Retailers need to focus on what perception they intend to offer and accordingly determine size.

**Location:**

Store location affects customers both in term of convenience and time. There are some suppliers who offer a variety of products or services to customers. Such shop may
be treated as one stop shopping. Customers prefer one stop shopping because of its potential to provide integrated products or services at their convenience and with cost saving. Today's customers are facing paucity of time hence value of location helping them to save time.

**Interior Retail Atmospherics:**

Retail store interior are often designed to create specific feeling in shoppers that can have an important effect on purchase in the store environment like layout, sign, display colour & lighting pleasing music, visual merchandising etc. together can have a positive influence in drawing customers to store and creating the right appeal and image of the store in the customers mind. Retailers have a particular stake in establishing a positive store image as their image is directly tied to sales results.

**a. Spatial Layout:**

Spatial layout refers to the way in which furnishing equipment machinery are arranged and the spatial relationship among them. Traditionally stores have favored a selling style that involves high dependence on salesmen but recently a shift of customer preference for self service is
leading to free standing display to equip customers to help themselves. Enclosed shopping malls offer clear advantages in providing safe comfortable areas for leisurely strolls. Store should be designed to facilitate the free movement of customer and visual presentation of merchandise. The retailer goal while designing the store to ensure the most effective usage of the space.

b. **Visual Merchandising:**

Visual Merchandising can be called the silent salesman for organized retail format. The mannequins, merchandise placed in the store, the lighting and even the uniforms worn by the customer service personnel from part of the visual merchandising exercise of organized retail format. Visual merchandising is a fusion of creativity with arithmetic's of optimum space utilization. With growing sophistication in retail, visual merchandising has become an important tool to capture consumers attention.

c. **Music:**

Music can be a critical component of store atmosphere and plays a role in purchase decision making process. (Areni and Kim 1993) Music can have a bearing on time
spent in the store, propensity to make a purchase. It communicates with heart and mind and serves as powerful connection to emotions. Music can support a retail brand and make a powerful connection with specific target markets by incorporating customers demographics and psychographics. By understanding demographic and psychographics of its target market retailer create an audio environment where their customer feel comfortable relaxed and happy to spend time and money.

d. Colour:

Colour in the store creates a response, individuals associate colours with feelings and the nature of mood that needs to be portrayed lies in the right choice of colour. Store environment could be constructed to encourage or discourage approach behavior. Warm colour like red, yellow and orange are perceived as positive and stimulating whereas cool colour such as blue green favour relaxation and concentration, brown by contrast is reassuring and comfortable for its direct link with nature, so colours affect mood and to an extent dictate the comfort level. Consumer has with a brand, according to Ku Krega (2002) colour may to be an asset that can be measured and leveraged. It
should be given its due share of importance. If used correctly, different colours influence people's mind and lead to desired consumer response.

e. **Smell:**

Environment scenting has already entered into the world of modern shopping. Presence of scent can reduce the perception of time spent and improve store evaluation. It has been found that evaluations of overall retail store rating were more favourable for scented store than the unscented stores. Scenting store premises is a very powerful technique that can be used efficiently to win over customers by caring out a niche that will stay in their minds for a long time.

f. **Signs Symbols and Artifacts:**

Large format Indian retailers are beginning to score well in the field of customer facilities, with the provision of elevator toilets, drinking water customer service desks there has been a paradigm shift towards catering to customer experience. Sign displayed on the exterior or and interior of a structure serve as explicit communicators, sign symbols
and artifacts are particularly important in forming first impression and for communicating new service concepts.

The cumulative effect of geographical location, design, colour décor sound aromas texture lighting, visible configuration of merchandise influences the emotional response and ultimately drives consumer behaviour. Customers total experience with the retailer can be instrumental in customer satisfaction and transforming them into lifetime assets.

3. **PRICING STRATEGY:**

Pricing is one of the retailer's most important competitive weapon. The retailer can use a number of concept and techniques to determine the best way to price its offerings and maximize the firm's financial performance, sales, sales per square foot, and market share are the three objectives affected by retail pricing decision. Retailers have realized the growing importance of pricing decision today, with customers looking for good value when they purchase goods and services. To some customers a good value means getting merchandise at low value means getting merchandise at low price while there are others who do not mind paying extra more if they feel that they are getting
their money's worth in terms of product quality or service. Modern retailer clearly realizes the role of price in the Indian market and needs to understand the minimum threshold level of quality the consumer want because below this level, the consumer will reject the product.

**Product, Quality and Willingness to Pay (PQ & WP Equation)**

![Diagram showing the relationship between product quality, consumer quality threshold, willingness to pay, and intention to pay.]

PQ & WP equation is key to understand the value gaps in modern retail format where merchandise are available at reasonable price along with saving time, it help the busy customer to shop in a clear comfortable environment at value for money prices, because retailers have realized the growing importance of pricing decision.
today with customer looking for, good value. There are several factors which can influence retail pricing these are.

1. Perception of substitute products.

2. The unique value effect.

3. Price quality effect

4. Level of competition

5. Volatility of the market.

The customers choice of products based on retailers pricing decisions is quite a complex issue because may issues can affect the consumers choice process.

Organized retailers use three major approaches to setting prices.

1. Cost oriented pricing.

2. Demand oriented pricing

3. Competitive pricing.
a. **Cost Oriented Pricing:**

Cost oriented pricing begins with the cost a retailers incurs when purchasing a product or service for sale to its customers to these costs the retailer add a markup. Markup can be expressed in three ways as a number a percentage of cost or a percentage of price. In modern format retailer buys a group of items at different prices but prefer to sell the whole lot at the same markup percentage.

b. **Demand oriented Pricing:**

Demand oriented pricing tries to work at determining prices which maximizes profit. Since sales volume is one of the key determinants of profit, organized retailer is very much concerned with demand elasticity, that is the effect price will have on potential customer marked. Demand oriented pricing is difficult to implement because retailers may not know enough about the demand for their hundreds or even thousands of products.

c. **Competitive Pricing:**

Competitive pricing method means closely matching the prices of competitor retailers. In this method there is no
need to forecast demand and analyze cost, if a retailer decide to lower price in order to stimulate sales the objective is not usually to expand the total consumption of product but to take business away from rivals, retailers that have little basis for differentiating them selves from the competition probably have no choice but to price competitively. Competitive consideration in pricing are greatest for merchandise that have wide distribution easily identified and compared.

In India modern organized retailer do not use any single pricing method but they are using combination of all the pricing methods, pricing policies can make a store's pricing structure clear to customers and can help position the store favourable in relation to competitors.

d. Retail Pricing Strategies:

Pricing strategies are one of the most important aspects of retail firm's over all strategy. Pricing policies should be evaluated in term of their effect on customer relation such as.

1. To what extent is the retail stores pricing policy compatible with its image.
2. What are customer's perception of store's price. Are prices though to be high, low or right.

3. Are the retail firm's price perceived high or low relative to competitors price.

4. How many customers are lost or attracted because of firms pricing policy.

5. Do customer believe that firm offers too many different price lines. Does it make difficulty in making purchase decision.

Pricing is very important for the customer since it is all about offering merchandise at value and with benefits as a part of the exchange process. Some of the important consideration adopted by organized retailers to select the right pricing policies are.

1. Price to suit target customers.

2. Merchandise to be competitively priced.

3. Select price to match the financial goals.

4. Price to suit the marketing mix.
5. Determine the sales to stock ratio.

6. The maintained mark up must be adequate to cover operating expenses.

Pricing decision can not be made in isolating, they must be part of the over all planning process. In organized relating, the advent of value marketing has put a premium on the integration of pricing decision with other marketing decisions. The prices retailers charge strongly affect their sales and therefore their cost. Because price affect both revenues and cost It obviously affect profit and return on investment Pricing strategy can best be evaluated by asking customers about the firms prices. Customer perception on the retailers prices and amount of merchandise sold through special sales are indicators of the relative success of a pricing strategy.

4. **PROMOTION STRATEGY:**

The promotional strategies adopted by the organized retailers include different forms of communication to attract customer in the retail stores, by making a positive influence on customers perception attitude and behaviour which can lead to increase in.
1. Store loyalty

2. Store visit

3. Product purchases

This may be through advertising sales promotion, public relations. The objective of the promotional strategy may be:

1. To increase short term sale

2. To generate greater customer attraction.

3. To enhance the store image.

4. To generate awareness among customers

5. To promote store brands.

For this retailer identify the specific market, merchandise, service offered to develop customer loyalty and creating strategic advantage, the goal of promotion is to position the retail store in consumers mind.

Form of retail promotion.

1. Advertising.
2. Sales promotion

3. Publicity and public relation.

4. Personal selling

Organized retailers are using all kinds of media to communicate its message effectively. It included. Print Hoarding, radio magazines and other promotional activities that are implemented from time to time. Advertising is used for the purpose of changing customer attitudes Building store image communicating to customers about the products offers. The different types of advertising by organized retailers include.

1. **Institutional advertising**: To highlight about the benefits of the retail store or shopping mall as a pleasurable place to visit and shop.

2. **Product Advertising**: To promote merchandise which is new (new arrival) exclusive and superior in contain specific aspects of quality, design and benefit.

3. **Mark down Event Advertising**: To create excitement about a particular period during which
the products are being offered at lower prices by the retailer.

4. **Cooperative advertising:** It involves sharing the cost of advertisement in between manufacturer and retailer.

In India many big retailing companies promotion task is assigned to the advertising agency because the special creative talent unique experience and media expertise is not available with in the retail organization. The role of an agency may vary from handling all promotional responsibility to that of a partial assignment for specialized activities.

Celebrity endorsement also helps to promote the store image because customer are interested in knowing about the lives of celebrities from where they purchase the products. If the products is seen as a part of the daily life of a celebrity it will be talked about immensely. Organized retailer should seek the celebrity to visit the store use the product, be seen using it and boast about using it. For example.
Sales Promotion:

Promotions have the power to change purchasing pattern. Retailers use incentive type promotion to attract new customers, to reward loyal customers and to increase the repurchase rates occasional users. Sales promotion is considered as special selling effort to accelerate sales promotion devices inform, remind, stimulate the buyers at the point of purchase. Sales promotion are of two types.

Push Strategy:

Include displays contests prizes frequent shopper programmes etc.

Pull Strategy:

Free samples, discount coupons, gift offers etc. organized retailers while making sales promotional schemes sets the objectives which clearly defined message content,
choice of media, budget allocation etc. The basic objectives of sales promotion are.

1. To make a favourable change in the customer attitudes.

2. Select the particular target customer group and encourage for impulse purchase.

POP (Point of purchase) the promotional perspective of POP is to remind customer, stimulate impulse behaviour, facilitate self service apart from this it also help customer to ensure carefree shopping quick and efficient customer service.

Organized retailer should consider the following aspects while making their sales promotion programme.

1. The cost incurred on the sales promotion.

2. Variety of incentives to stimulate purchase and to establish relation with the consumers.

**Publicity and Public Relation:**

Publicity is a form of communication involving unpaid presentation about the retailer in the form of a news story.
in newspaper or in electronic coverage. The benefit of publicity helps to position retail store in the mind of customers. Publicity in retailing to be highly refined carefully planned and capable to increase awareness by establishing a positive retail image on which long term customer patronage can be built.

Public relations is unpaid impersonal communication which is used to change customer opinion about retail store, it can be used as a tool to promote and enhance on retail store image thus retailer can use public relation in a planned manner and attempt to gain control by sending suitable press release and photographs to the media and thereby building a positive image of the retail store in the mind of its potential customers.

Organized retailer have responded to changes in the communication in two ways, they are using a more diverse media mix and they are more selective in addressing specific target customer. At one time newspaper advertising accounted for 90 percent and upward of total advertising budgets of large scale retailers. Several additional aspects of communication and sales promotion are working of attention in connection with the exchange environment.
These include special sale events, special promotional inducements, the practice of using special sales event as a major aspect of promotional policy is common among organizes retail stores. The sale period may be a single day (Republic day, independence day, valentine day etc) or as long as a mouth. Common examples of special sales include clearance of seasonal sales, shoppers attracted to the retail store by price specials often purchase other, merchandise, promotions are use full in building awareness and conveying information about retailer and his offering and prices. Factors influencing retailers choice of communication methods are cost, control, flexibility and credibility, organized retailers are working towards making the shopping experience more interactive and constant promotional activities are planned with the aim of maintaining high customer involvement at the store.

5. ROLE OF INFORMATION TECHNOLOGY IN ORGANIZED RETAILING:

One of the most innovative areas of organized retailing is use of information technology which plays a double role in retailing, information management and strategy development. Organized retailer are using IT. In their
decision support system (DSS) to achieve a competitive advantage. Most of the success stories of big retailers such as pantaloon, shoppers stop, Globus etc has been made possible only because they made significant investment in information technology by using scanning and stock control system data interchange and management support system managing information efficiently through decision support system retailers are reaching their goal of improving customer service. During a transaction DSS gathers and manages in a manner to make the transaction more efficient. Five technologies including,

1. Bar coding
2. Scanning
3. ARS (Automatic replenishment system).
4. EDI (Electronic data interchange).
5. Very small aperture terminals (VSATs).

Ease the processes of credit approval credit card verification and merchandise receiving, the information gathered is communicated to various departments which use them for billing, reordering, accounting purposes.
Bar Coding and Scanning:

Bar coding is a technology that uses a printed bar when decoded it gives the information about merchandise name, colour, price, percentage markup etc. Bar codes are decoded by optical scanners, optical scanners are infrared devise used to read computerized bar codes, Bar codes are little black bars and white space with 13 digit product reference members, organized retailers are using bar codes as the unique reference number on the product packaging helps bill customers with speed and accuracy, it also helps retailer to manage inventory and forecast consumer demand more accurately. Big retailer like pantaloon, shoppers stop
have started changing a penalty from companies not bar coding their brands, coding and scanning systems are used to collect information on product purchases. Every time a sales person record a purchase using a optical scanner the scanner notes what was brought its manufacturer size and price and these information can be used for market intelligence and market research. Such information helps retailers in determining what kind of merchandise customer want and what factor may influence their purchase decision.

**Automatic replenishment systems ARRS and Electronic data Interchange (EDI):**

ARSs is used to analyze inventory level, lead times for reordering and forecasted sale and to generate purchase order for merchandise needing quick replenishment the system is designed to carry the lowest possible inventory levels and maintain sufficient quantities to avoid stock outs.

**EDI:**

The use of electronic data exchange provides the electronic administrative management. Through EDI retailer
has many benefits such as they become more efficient with enhance merchandise availability lower spoilage, improved merchandise tacking, lower administrative costs, provide fresher products food retailers for customers and timely offer in stores thus while sending orders to suppliers and manufacturers electronically it save time, reduces the clerical and administrative costs of merchandise ordering.

Information technology has developed many retail automation products to help retailer to automate their critical business processes. Many companies such as TCS, Hi-Tech, Zensar, Seacom solutions, vedha automation and Polaris retail Infotech have developed many retail business solutions. Organized retailers are relying heavily on information technology to carry various transactions in these areas.

1. Sourcing and vendor management.
2. Merchandise planning management
3. Internal store operations
4. Point of sale operation and billing
5. Customer relationship management.
RFID (Radio frequency identification):

RFID devise are small chips that can be embedded or printed on products, they are transponder and emit radio signal which convey digital data showing product code, available range, size colour, price, discount offer etc, when they interact with other devices they can enable the customer to get the information, with its item level tagging of data it helps retailers to reduce queues and plan a better replenishment of stock.

Research suggest the average time a buyer spend in large retail store is 48 minute therefore challenge lies for big retailers to devise newer ways to attract and interact with customers in the store. Organized retail industry is awakening up to the benefits of it to achieve a higher operating efficiency. Technology not only enables retailers to enhance the shopping experience but also aids them in monitoring supply chain and human resource management.

India's growing organized retail ripe for the adoption of emerging technologies to increase its operating efficiencies, Retailers are rapidly increasing their spending on technology to achieve competitive differentiation RFID, Bar coding are used in major retail outlet in India, organized
retailers have utilized the information technology in stock management, point of sale billing, logistics which enabling them to carry out their functions with speed efficiency and accuracy to the ever changing consumer needs.

6. **SUPPLY CHAIN MANAGEMENT IN ORGANIZED RETAILING:**

In the competitive retail market challenge before organized retailers is to deliver the merchandise to the customer through a distribution channel which can add value to them, with the help of information technology modern supply chain management has been able to achieve competitive advantage through shorter lead time for restocking, reduce inventory size and cost.

**Supply Chain Management:**

G Davis has given the retail definition of SCM "The management of resources to supply the product and services needs of the end consumer encompassing the supply chain to any physical products and the exchange process evolved".
In the traditional distribution network retailer sell merchandise which the manufacturer make and wholesales supply but today in India consumer is more demanding and choosing because many organized retailers putting all efforts to enhance customer value through establishing sophisticated logistics management systems. Organized retailers are using suitable infrastructure to meet the customer’s ultimate measure of retail service and availability of goods. Organized retailer needs to manage supply chain effectively and for this purpose there are four critical areas that retailers can look into. These are –

1. Forecasting

2. Supply Chain Speed

3. Inventory Planning

4. Available Data

**Forecasting:**

It is important for retailers to update their forecasts based on early sales data, however, they fail to anticipate change in the environmental factors, products such as fashion music seasonal cloths have a very short life cycle of
a few months. Therefore retailer need to track early sales in the forecasted period which can be used as an indicator to predict future sale in the same period. Such products occupy precious self space of the retailer but does not increase their sales. The best forecast for tomorrow will be today's sales because not many variables would be significantly different between there time periods. With technology available it is possible to get the current sales data and analyze for future.

**Supply Chain Speed**

Organized retailers due to information technology are able to collect purchase information customer wise and transaction wise. Such information can be forwarded to suppliers to enable them to plan production, deliveries and inventory levels.

It is important to ascertain if manufacturers can make changes in short period to comply with retailers request because many product have long lead times. The manufacturers will have to keep inventory or finished products or their component to keep extra capacity to meet the demand. This requires to understand pattern, trends, variations and dynamics of customer.
Inventory Planning:

The most important variable to consider in deciding how much of an item to keep in stock is the variance in demand from one time period to another. The longer the variance in the demand the larger should be the safety stock that should be kept for that item to prevent stock out when there is an upsurge in demand. For those items whose demand do not vary from one time period to the next, the retailer need not have any safety stock. Organized retailer keep extra inventory for those items whose average sales are higher and not for those items whose average sales are lower but variance in demand is higher. The only variable to be considered in deciding upon the inventory is the large variance in demand between time periods.

Available Data:

Organized retailers are striving hard to achieve low cost, better quality and timely deliveries to customer and it can be achieved if they have sufficient information about customer and suppliers. Since the information is available all times it become easy for retailer for making various marketing decisions. Such as developing and replenishing merchandise assortment promotional activities et c. This
information can be accessed to various level at the merchandise level, stock keeping units, product type category department wise or all merchandise.

Retail Logistics:

(David Gilbert) Retail logistics is the organized processes of managing the flow of merchandise from the source of supply to the customer from the manufacturer, wholesaler through to the warehouse transport to the retail units until the merchandise is sold and delivered to the customer. It include these faction.

- Physical movement of goods.

- Holding of these goods at stock keeping units.

- Holding of stock is sufficient quantities to meet the demand from the end customer.

- Management and administration of distribution system.
Retail Logistics

Transportation storage
Inventory means Movement of goods
ware housing SKU meet demand

Function in Retail logistics

Supply chain management starts right from inventory planning movement warehousing and storage till the merchandise reaches in the hands of consumer, efficient supply chain system benefits both customers and retailers. Organized retailers are reacting to the competitive environment by changing the way they distribute merchandise by adopting these issues.

1. Quick response delivery systems.

2. On Line logistics management.

3. Outsourcing Logistics functions.

Quick response delivery systems are inventory management systems design to lower the retailers lead time of receiving merchandise resulting in lower inventory investment, improve customer service and effectiveness of
QR system requires sharing and electronic data interchange between retailer and vendors. In order to streamline their operation retailers prefer to outsource logistical functions.

In India agriculture related supply chain suffers maximum in efficiency cumulative wastage in this supply chain is estimated to be about 9.8% of agriculture component of G.D.P. The rise in presence of the organized retail sector will accumulate reform in the agriculture. Increased commercial opportunity should attract the private sector in agriculture logistics management reducing the number of intermediaries.

7. **IMPORTANCE OF CUSTOMER SERVICE:**

Organized Retailers who believe in customer service always place customers before everything. These organizations learn and understand customer expectation and make all efforts to satisfy their needs. Retailers are pursuing market positioning and sales growth through an emphasis on customer service.

Customer service can be referred to those set of activities and programmes undertaken by retailers, which will increase the value customer receive from the
merchandise and services they purchase and also make their shopping experience more interesting and rewarding.

Customer service encompasses many activities. In means.

1. Right merchandise in stock to meet and response to changing customer desire and preferences.

2. Facilitating purchase through knowledgeable and courteous sales people.

3. Creating an atmosphere of comfort and efficiency for shoppers.

4. Maintaining a high level of quality in product and service offerings.

The key principles in retail service are to listen and respond to customers, to offer value added specialized merchandise geared to customers desire and preference and to emphasize innovation and efficiency in merchandise displays and sales transactions. Customers assess the quality of any retail service of a retail store on the basis of five factors.
1. Tangibles – Physical facilities, equipment, store personnel.

2. Reliability – The retailers ability to perform the promised level of service dependably and accurately.

3. Responsiveness – Willingness to help customers and provide prompt, friendly, courteous service.

4. Assurance – The knowledge that the retail store employee will be courteous and work to inspire the customers trust and confidence and extent to which the customer feel secure.

5. Empathy – The caring and individual.

Customers Perspective of Retail Store Service:

Customer service is the key to market penetration and growth. Retailing can be termed as a service because the nature of the transaction involves the interpersonal skill of the service provider. The key to delivering excellent customer service is to make shopping easier and more pleasant. It includes the retailers willingness to stand behind the merchandise, liberal and uncomplicated exchange policies on promise alternation services (for
apparel) and informed helpful, efficient sales people, customers evaluate the retail service quality by comparing their perception of the service they receive with their expectations. Customers are satisfied with the service quality when the perceived service meets their expectation, customer expectation are built up based upon customers.

(i) Knowledge and (ii) Experiences

Expectation vary for different type of retailers. In supermarket or Hypermarket customers expectation of service may be low because these are self service retailers whereas department stores sales personnel are available to assist, service quality is expected to be high.

In organized retail outlets customers expect to be provided a convenient parking space, suitable timing, suitably located, right displays, quick check out counters, variety of branded merchandise.

Organized retailers must have a clear picture of how customer perceive their stores and they must use a long turn system approach to customer service. The retailers needs specific information on customer satisfaction which is fundamental to the success of any retail firm, without
satisfied customers no business can survive for long, retailers use two approaches in order to develop a sustainable customer service advantage.

(i) Customization approach

(ii) Standardization approach

(i) **Customization Approach:**

The customization approach encourages retailers to make the services to match the customers personal need. Each retailer wants to look different in their offerings, build customer loyalty and providing customized services to earn competitive advantage by providing information to their customers.

(ii) **Standardization Approach:**

The standardization approach means establishing a set of rules and procedure which are implemented consistently. Through standardization customer receive the same type of merchandise and services in the retail outlets. In this approach retail store provide information to customers which will help them to save time while making purchase.
Gaps Model to Improve Quality Of Retail Service:

A retailer can use the Gap model given by Valerie Zethaml for improving the quality of service. The model gives insight into the various obstacles that may hinder a retailer's ability to minimize the gap between customers' expectations and perceived services. There are four factors which affect the service gap factors.

i. Knowledge Gap - (Lack of Knowledge) regarding customer expectation

ii. Standard Gap - (Lack of appropriate service standard)

iii. Delivery Gap - (Failure to deliver the promised service standard)

iv. Communication Gap - (Failure to deliver the performance as per the promises made)

Reducing Knowledge Gap:

A retailer should have complete knowledge of customer expectation. Acquiring this knowledge can be as simple as interacting with customer on a regular basis or it can be as complex as conducting through research on customers.
Some retailers develop for analyzing the service expectation and perceptions of their customers.

These programmes usually involve getting questionnaires filled up by customers visiting the store and then analyze them. Some retailers survey customers immediately after closing the transaction. This type of survey helps retailer to get up to date information about the service expectation and perception of customers. Complaints are another important source of information about the quality of service at a retail outlet.

**Reducing Standard Gap:**

Clearly defined service quality standards help retailers to understand its customer. In order to close the standard gap, retailer should focus on providing high service quality, providing innovative solutions to various service related issues, defining the role of employee delivering the service establishing service objectives and measuring the performance of the service. Technology can help retailer simplify and improve the quality of customer service. In order to deliver excellent service retailer should establish goals that guide employee. There service goals should be developed on the basis of the needs and
expectations of customers. The quality of service should be evaluated on a regular basis to ensure the achievability of service goals. Most Retailers use timely customer surveys to measure the quality of service.

**Reducing Delivery Gap:**

In order to minimize delivery gap retailers should provide employees with necessary knowledge and skill, material and emotional support and empower to act in the best interest of customer and the organization as a whole. The interpersonal skills of service providers should be improved and they should be trained in customer handling techniques. The employee should be provided with appropriate system and equipment for delivering efficient service. The employee should be empowered to take decision concerning how service is to be provided to customers, sufficient incentives in the form of commission on sales made cash bonus for good service provided is used by the retailers to improve store services.

**Reducing Communication Gap:**

There should be a clear line of communication between marketing department and the operations department since the marketing department develops the advertisement while
the operations department delivers the services. Any miscommunication between these two departments would lead to mismatch between the promise made through the advertisement and the service actually delivered. A retail store can be successful if it is able to evoke a brand possibility in the mind of consumer by communicating through differentiation. Good communication programme inform customer about the role and responsibility in getting quick and better service.

To provide excellent service quality retailers should pay attention to minute details, measure the perceptions and expectation of customers and develop system for addressing customer service. The management of the retail store along with the service provides must clearly establish goals and obtain the necessary resources for delivering the promised services.

8. CUSTOMER RELATIONSHIP MANAGEMENT:

Customer relationship management is said to be a business philosophy, set of strategies programmes and systems which focuses on identifying and building loyalty with a retailers most valued customers. Indian retailer are going to woo the customers by providing a dynamic retail
environment along with customer interaction. The basic purpose of CRM is to pay the way for a high customer contact, service and relation with the aim of building long term relationship with them. Organized retailers striving to enter into long term relationship with the customers adopting CRM programme. The concept of CRM has been in vogue even before organized relating started in India. According to Peter Druker the basic purpose of an organization is to create customers and retain them so for effective CRM organized retailers have to develop an understanding of the customers need perception attitude and intention current trends in retailing are indicating that retailers are sensitive to the changes in the Today's customers buying pattern. There have been truce significant changes involving the customers which could have an impact on the retailers in planning their CRM.

1. Today's customers are more price sensitive and attach more value to quality products.

2. Customers are more aware due to extensive advertising campaign.

3. Customers are looking retail stores which sell more customized products.
So the organized retailers are working hard in customizing their services and developing relationship with their customers through effective CRM practices. Organized retailers are paying attention to.

1. Search the customers.

2. Understanding customers needs perception attitude and intentions.


4. To ensure that customers get all they want from retailers.

**Key Issues in CRM:**

1. Focuses on customer relationship and retention.

2. Retailers focus on quality, customer service.

3. Emphasizes on maximizing the life time value of customer and enhancing customer satisfaction.

Organized retailers are making all efforts to build a long term relationship with customers through a customized programme by offering products/services to suit
their need requirements without compromising on quality aspect.

**CRM Process:**

It is four interactive activities these are

- 1\(^{st}\) - Gathering customer data and constructing a customer database.

- 2\(^{nd}\) - Analysis customer data and identifying target customers.

- 3\(^{rd}\) - Develop CRM programmes for the different customer segment.

- 4\(^{th}\) - Effective implementation of CRM programme.

**Gathering Customer Data and Constructing A Customers Data Base:**

The first step in CRM process is building a customer data base and it is required for all the future CRM activities. The retailer require a complete detailed information of the customers. Some retailer ask their sales personnel to ask customer for identifying information such as their name and address their phone number etc retailer must disclose to
the customer the purpose for which the information was being collected and use it for the specific purpose information about customer specially demographic and psychographic data can be used to plan and develop various marketing activates. However in organized retailing during peak hours when there are many customers to attend the sales persons may not find sufficient time to note down the relevant information form all the customers. Big retail store like pantaloon and shoppers top have incentive programmes for their frequent shopper who enroll them selves for to the retailer and they are given a card with an identifying number. So the award motivates the customers offered to increase the frequency of visit to the outlet. The another way of obtaining information by the retailer could be to check the account number from the credit card used by the customer but retailer must be careful about not going to the extent of violating customers privacy.

Analyzing Customer Data and Identifying Target Customers:

The second step in the CRM process is to analyze the customer data base and use this information to help retailer in developing marketing programme for building customer
loyalty. In organized retailing through customer data analysis retailer are able to cater similar needs of their group of customers who purchase similar merchandise and respond in a similar manner to marketing activities. Information in the customer data base can be used by the retailer to identify their loyal customers and work toward developing customer loyalty programmes. Modern organized retailers are using different measures for segmenting customers.

1. For first time customer retailers offering different schemes which motivate them to purchase more frequently.

2. For early repeat customers, Retailer are making marketing programmes directed towards customers to motivate them to maintain loyalty increase retention and spend more amount repeatedly.

3. For high value customer.

Retail programmes directed towards customers who fall in high value segment such that they continue to maintain, loyalty increase retention and gain bigger share by selling more quality merchandise to them.
Develop CRM Programmes for Different Customer Segment:

In this step retailers will work out programmes to retain their best customers by offering reward to their valued customer through frequent shopper programme, and develop a sense of community among customers. Through frequent shopper programme retailers provide incentive increasing customer to participate in the programme. These incentives could be in the form of discount offered on purchases or awarding points for every Rupee of merchandise purchased. These points are then redeemable for certain special award. Retailers are working out strategies which would appeal to a majority of customers belonging to a particular customers segment but due to availability of customer data and analysis tool retailers are in a better position to work out economically unique benefit offers and target communication to individual customers.

Effective Implementation of CRM Programmes:

The goal of CRM programme is to increase sales and profit of the retailer. The effectiveness of the CRM programme will depend upon co-ordination of different functional activities in the retailers organization.
Management Information System (MIS) department in the retail organization has to collect, analyze, and make relevant information easily accessible for employees to implement the programs. Success of CRM program will depend upon store operations and human resource management.

**Importance of Customer Retention Management:**

CRM guru Don Peppers says that "For a business, customers are the scarce resource and every business ought to be using its technologies to maximize the return they get on every customer. Changing customer attitude and buying behaviour are forcing retailers to rethink the manner in which business is done. Marketing consultants Mc Kinsey forecast that the retail business would boom in India, led lots of people to plunge into retailing. However, with the advent of cut-throat competition, retailers have realized that the patronage of customers can not be taken for granted so they have to create a suitable retail environment which encompasses aesthetics, the consumer's desires, and the business.

Customer retention for the retailer means customer purchases, merchandise at the store and has a positive
attitude toward it, customer relation can be worked out by looking into two set of factors.

1. What factor
2. How factors

Retailers examine both set of factors it will help retailer to understand the essence of CRM and It helps in understanding customer retention management.

The what factors includes

1. Quality of the merchandise.
2. Assortment (number of diverse product categories).
3. Value of price paid (reasonable price and getting maximum value).
4. Store Brand.

The 'How Factor It examines the favourable shopping experience"

1. Store layout
2. In store assistance and information
3. Convenient location

4. Compliant handling

5. Personalisation.

The objective of a retail organization is to understand customers profile their behaviour and attitude while implementing CRM practices for ensuring customer retention management. The CRM system has a tool to capture, track and analyses the interaction between the customer and the retail organization.