Retail Management

BBA 3rd Year

UNIT NO.	TOPICS
UNIT - 1	Fundamentals of Retail Management: Basic concept of Retailing, Types of Retailer, Multi-Channel Retailer organize ratability organized Retailing in India, Retail Market Strategy, Retail Format and target market, Growth Strategies, Pricing Strategy Consumer behaviors, Determinants of consumer Marketing strategy, consumer decision making Process, Organizational consumers Behavior, Post purchase behavior Service Retailing-Importance of service retailing and its Challenges. Consumer Behavior in Services zone of Tolerance, Service Perception and Expectation, Service strategy, Service triangle, marketing mix, Marketing segmentation.
UNIT - 2	Merchandise Management: Merchandising Philosophy, Merchandising plans, Merchandise budget, financial inventory control, Pricing Strategy Basics of Visual Merchandising, Retail Store site and design, Store layout, Image mix, Store Exterior and Interior, Color Blocking, Signage and Understanding Material Planograms
UNIT – 3	E-Retailing: Introduction: The concepts of E-Commerce, E Business and E-Marketing Evolution of E-Commerce, E-Commerce Vs Traditional Commerce, Network infrastructure for E-Commerce, Internet, Extranet. E-Commerce applications: Consumer Applications, Organization Applications, Procurement-Online Marketing and Advertisement, Online Interactive Retailing, E-Commerce-Business Models: B2B, B2C, C2C, B2 Government, Government to Government
UNIT-4	E-Marketing: Information Based Marketing, E-Marketing Mix - Cost, Connectivity, Convenience, Customer, interface, Speed of delivery-Web retailing, Process of website development. E-Retailing/ reverse Marketing. Electronic Payment Systems: Introduction to payment systems, On-line payments.
UNIT-5	Electronic payment systems- Prepaid E-payment systems, Post-paid E-payment systems, E-Cash or Digital Cash, E-Cheque, Credit cards. Smart cards, Debit cards

UNIT 1

Retailing:

Retail Industry, one of the fastest changing and vibrant industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means 'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer.

Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable.

Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Evolution of Retailing

- Traditionally retailing in India can be traced to
  - The emergence of the neighborhood 'Kirana' stores catering to the convenience of the consumers
  - Era of government support for rural retail: Indigenous franchise model of store chains run by Khadi & Village Industries Commission
- 1980s experienced slow change as India began to open up economy.
- Textiles sector with companies like Bombay Dyeing, Raymond's, S Kumar's and Grasim first saw the emergence of retail chains
- Later Titan successfully created an organized retailing concept and established a series of showrooms for its premium watches
- The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers.
- For e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountainhead in books.
- Post 1995 onwards saw an emergence of shopping centers,
  - mainly in urban areas, with facilities like car parking
  - targeted to provide a complete destination experience for all segments of society
- Emergence of hyper and super markets trying to provide customer with 3 V's - Value, Variety and Volume
- Expanding target consumer segment: The Sachet revolution - example of reaching to the bottom of the pyramid.

Characteristics of Retailing

- Interaction with the end consumers
- It enhances the volume of sales but the monetary value is less
- Customer service plays a vital role
- There is a tendency for automatic sales promotion
- With more outlets retail marketing creates visibility
- Location and layout plays a vital role.
- Creates employment opportunities to all age groups, gender , irrespective of qualification and religion.
- Generates job opportunities in flexi timings.
- Retail marketing creates a place, time and possession utility for a product.

Types of Retailing:

- **Malls:** The largest form of organized retailing today. Located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sqft to 7,00,000sqft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Piramyd, Pantaloon.
- **Specialty Stores:** Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.
- **Discount Stores:** As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non perishable goods
- **Department Stores:** Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc.
- **Department Stores:** Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop!.
- **Hyper marts/Supermarkets:** Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sqft to 2,000 sqft and large supermarkets ranging from of 3,500 sqft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

- **Convenience Stores:** These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.
- **MBO's**: Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

Retail Type	Product Focus	Example
Store Retailers		
Specialty Store	Single product line	AutoZone
Department store	Wide variety of product lines	JCPenney, Kohl's
Supermarket	Multiple product lines; focused mostly on grocery with limited services	Publix, Kroger, Save A Lot
Superstore	Combination of supermarket and department store	Target, Walmart
Convenience Store	Limited range of everyday items	7-Eleven, Speedway
Category killer	Very large superstores with wide product lines within a category	Best Buy, Lowe's, Home Depot, Staples, Office Depot
Discount store	Broad range of products with few or no services	Dollar General, Dollar Tree, Family Dollar
Off-price retailer	Brand name overstock, irregulars, and closeouts	T.J.Maxx, Ross
Factory outlet	Overstock or over-manufactured brand-name items, usually clothing;	Sawgrass Mills Factory Outlet, Indiana Premium Outlets, Osage Outlets; Hanes Outlet, L.L.Bean Outlet

Retail Type	Product Focus	Example
	typically in a mall setting with other factory outlets	
Warehouse club	Bulk items at discount for paid membership	Sam's Club, BJ's, Costco
Non-store retailers		Vending machines, direct-mail catalogs, television home shopping online, telemarketing, direct selling
Automatic vending	Unmanned with very limited product line located in places store retailers are not	Snack and beverage machines in a hospital waiting room
Direct mail and catalogs	Limited product lines advertised through the mail	Tiffany & Co.'s Blue Book, L.L.Bean, Fingerhut
Television home shopping	Limited product lines advertised on television	Home Shopping Network, QVC
Online retailing	Can be wide or limited product lines of products offered for sale via the Internet	Amazon
Telemarketing	Very limited product line sold via the telephone	
Direct selling	Very limited product line sold by salespeople who are very knowledgeable about the product and sell directly to a business or end user; used in B2C, but more often in B2B	Kirby Vacuums (B2C) Publishing companies (B2B) Technology companies (B2B)

What is multi-channel retailing?

Multi-channel retailing is a business strategy that offers your customers different sales channels to purchase from you. It is often mistaken for omni-channel retailing. The most common types of sales channels typically include physical stores, online stores or ecommerce platforms like

Shopify, third-party marketplaces such as Amazon, social media platforms such as Facebook Marketplace and Pinterest, and mobile applications for shopping on the go.
Multi-channel retailing is a business strategy that offers your prospects various sales channels to buy from you.

The most well-known sales channels commonly include brick & mortar stores, online stores or online platforms like **Shopify**, eCommerce marketplaces like **Amazon**, social media channels like **Facebook**, and mobile applications for shopping on the go.

How businesses can benefit from multi-channel retailing
Since multi-channel retailing is an improvement over the most common strategies, let's compare it with single-channel retailing to get a better grasp of its benefits.

Better revenue

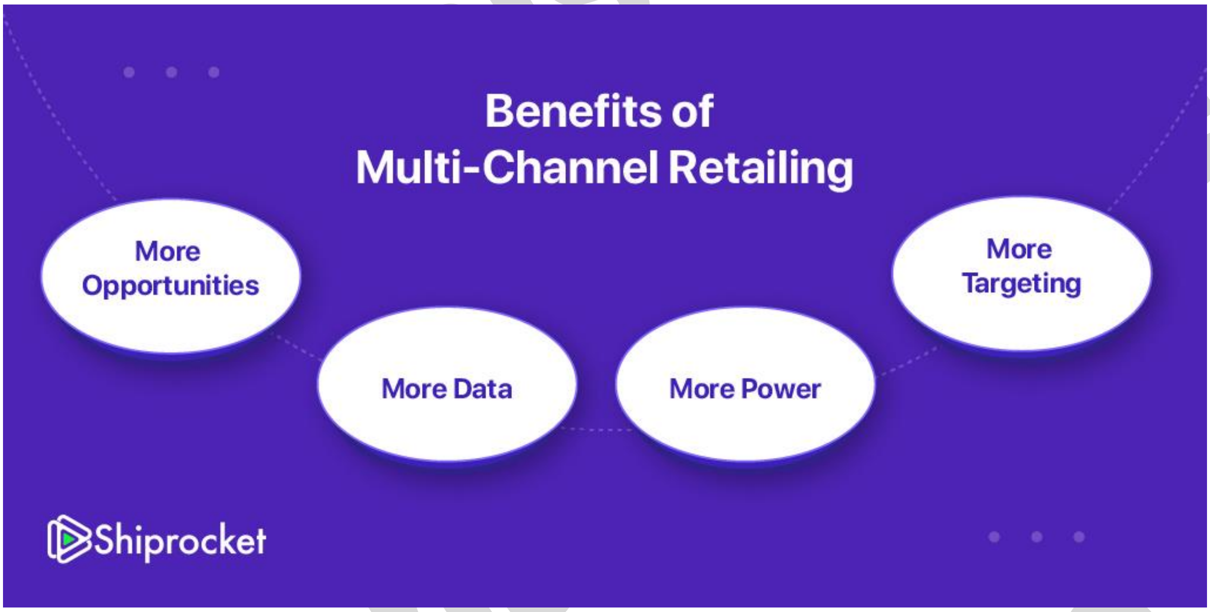
Even after you invest a lot of money on advertising and marketing and establish brand awareness, if your customers have only one way of buying from you, it won't necessarily increase your revenue. But by spreading your business across multiple platforms, you could pop up more often into a prospective customer's view and therefore receive more attention. This will give them the time needed to browse through your store, compare prices, and do their research which is necessary for them to buy from you eventually. Improved revenue is by far, the most prominent advantage that multi-channel retailing displays.

More ways to buy from you

Like any other skeptical person, most customers would hesitate to buy from a business that they stumbled across once. And if that one viewing is all they ever get, then the chance of them remembering your business and looking for you is impossibly low. With just a single sales channel, all your customers would be forced to buy from you using just that channel. And this is okay for customers that have purchased from you earlier and trust your brand, but it doesn't necessarily attract new customers who are considering buying from your business. So with multi-channel retailing, you can offer your customers multiple ways to buy from you, from which they can select one based on their comfort and convenience. This will give you a competitive advantage over single channel businesses. Simply put, more ways to buy from you could mean more customers.

Collect valuable data on customer purchases

Multi-channel retailing allows you to collect a lot more data on customer purchases compared to a single channel. By doing this, you can tell which sales channels your customers seem to prefer and which ones they don't, so that you know what specific parts of your business to work on and how to promote your business. Additionally, with a single sales channel, you wouldn't be able to compare your sales with any other channel since you're stuck with the one you have. Comparing several channels gives you more perspective. If you don't have anything to compare to and you're selling X volume of goods per month on one channel, you might think that's pretty good. If you start using several channels and see that you're selling 10x volume of goods on another channel, you haven't only learned that the other channel is better—you've also learned that you can shoot for much higher than your original X volume. Also, you don't have to only compare different channels' overall performance; you can also compare how different products perform on different channels. Knowing which product to promote on which channel is part of the valuable data you're collecting, right?



What are the challenges of multi-channel retailing?

Although multi-channel retailing is a helpful strategy, there are a few factors that businesses need to consider before implementing it:

Difficulty coordinating inventory across sales channels

By far, the biggest challenge when it comes to multi-channel retailing is the difficulty of managing inventory across all the different sales channels. This is because each channel is independent of the others—so a change in one channel will not be reflected in the others unless they are manually updated. Suppose a multi-channel retailer has 3 different channels: a physical store, an ecommerce platform, and a third-party marketplace like Amazon. They run out of stock for a specific product and immediately mark it as out-of-stock in their ecommerce platform, but forget to mark it in their third-party marketplace. Now if a customer places an order for that product in their third-party marketplace, the retailer will either have to turn the customer away or keep them waiting, both of which are embarrassing and not good for the business.

Costly investment

Multi-channel retailing is expensive. On its own, it might not seem to cost that much, but when added to other pricey business expenses like marketing ventures and advertisements, it could sum up to be a large amount of money. It is especially costly if you plan on setting up a lot of channels. This is because each channel will require you to incur another round of expenses, like setup costs, customization, and hiring employees to manage it. Test the waters first and start out small with just one or two extra sales channels. Once you have a proper strategy in place, you can start adding more.

Retail marketing strategies

A retail marketing strategy is any activity you use to attract customers to your store. Retailers rely on many types of marketing strategies across different channels to meet their goals.

A retail marketing strategy refers to retailers' specific plans and tactics to promote their products or services and attract customers to their stores or online platforms. A retail marketing strategy involves analyzing the target market, identifying customer needs, developing a brand identity, determining pricing and promotion strategies, and creating a customer experience that encourages repeat business.

The retail marketing strategy may involve a combination of various marketing channels, such as advertising, social media, email marketing, and in-store promotions, as well as partnerships with other businesses or organizations. A retail marketing strategy aims to increase brand awareness, drive traffic to the store or website, and ultimately increase sales and revenue. Effective retail marketing strategies must be continually monitored and adjusted based on consumer trends and feedback.

Impact of Retail Marketing Strategy on Business:

Retail marketing strategy can have a significant impact on a business in a variety of ways, including:

1. Increased sales: By effectively targeting the right audience with the right message, a retail marketing strategy can drive more sales and revenue for the business.

2. Improved brand recognition: Retail marketing strategies can help establish and promote brand identity, increasing brand recognition and recall among consumers.

3. Competitive advantage: A well-executed retail marketing strategy can differentiate a business from its competitors, making it stand out in the marketplace and attracting new customers.

4. Enhanced customer experience: By understanding their target market and tailoring their marketing efforts accordingly, retailers can create a more positive and personalized customer experience, leading to increased customer loyalty.

5. Cost-effectiveness: By focusing marketing efforts on the right audience and channels, retailers can optimize their marketing spend and maximize the return on investment.

A successful retail marketing strategy can help businesses grow their customer base, increase sales, and build a strong brand identity in a competitive marketplace.

Retail marketing strategy

1 - Create impressive storefronts

The growth of e-commerce stores has forced brick-and-mortar stores to increase their experiential appeal. Customers have multiple options when it comes to buying products, and for a retailer to stand out, it must offer a great experience. And although many businesses are fond of overlooking this important aspect of their retail marketing, the only way to attract passersby to your online or physical stores is to optimize the design of your storefronts.

For brick-and-mortar stores, you have to design your storefront for better visibility with custom designs and adopt a minimalist approach to the storefront design that subtly attracts customers instead of screaming at them.

Even for e-commerce storefronts, including your social media platforms and websites, considerations like website loading speed, website navigation, blog posts and other valuable content, mobile optimized user interfaces and SEO visibility can serve as a pull or push mechanism to bring in customers or chase them away.

2 - Motivate your employees with better wages and compensation packages

Your employees are your retail business' brand ambassadors, and you need to give them incentives in order to get the best results. When you compensate your employees properly, you can create an exceptional impression on your customers with memorable experiences.

If you're able to hire and maintain customer-oriented, long-term and committed employees, you're likely to increase your customer retention rate, reduce employee turnover and increase profitability. Also, if you motivate your sales team with compensation packages, they are incentivized to work harder to increase sales.

You can also encourage sharing of new marketing and customer relations management activations with your staff because they might just have a better contextual understanding of your customers and potential customers because of their one-on-one dealings with them.

3 - Provide adequate employee training

Substantive employee training can make the difference between you and your competitors. The experts from EssayOnTime recommend arranging regular training sessions and conferences to retain employees and keep up with industry trends. If you neglect to train your employees, your company will be left behind in your niche.

A retail business that neglects the training of employees will eventually struggle to stay in business. A good practice that will ensure you have great employees with good customer relationship management, retail selling and upselling skills is to train them as soon as they're hired and conduct recurring training annually or every six months to reorient them based on new consumer trends.

4 - Understand the market

To increase sales, you need to do market research to get in-depth retail market data relating to sales performance, store portfolios, and competitor analysis, as well as keeping track of rapidly changing retail and consumer trends.

5 - Engage your customers

Give your customers a reason to love you. This does not involve ineffective, non-subtle marketing techniques like situating a greeter at the storefront to greet incoming customers with scripted lines like, "Hi, how are you doing?" The best way to make customers loyal is to be helpful to them. Answer their questions as truthfully as possible. Relate from their perspective and answer product questions from your own user experience or from real customer user experiences.

When your customers are leaving, thank them for their purchase and invite them to return, leaving a memorable experience with your customers. You should also solicit feedback from customers, post questions and answers online, engage your customers in your market research, and respond to customers' positive and negative reviews. Additionally, you can offer discounts and coupons for returning customers among many other engagement techniques.

6 - Leverage social media capabilities

Almost all businesses, retail or not, have some form of social media presence. However, very few of them have fully leveraged social media capabilities. You can invest in social media advertising which makes it easy for you to get in front of people likely to buy your products and convert them or send them into your sales funnel. With the importance of social media to many people's lives, you can start targeting customers who are specifically interested in the products and services you offer in your retail business, online or offline.

7 - Smart remarketing

You can increase your customer retention rates through remarketing. Shoppers are usually distracted and can easily forget their positive shopper experience, whether at your online stores or at your brick and mortar stores. You need to remind them of their positive experience by engaging previous shoppers either with promotions and/or discounts based on past purchases or current consumer trends.

8 - Tweak your pricing strategy

There are always changes in product demand due to seasonal or market changes, as well as consumer trends and competitor actions. Thus, you need to stay on top of your pricing game to keep your inventory moving. To do this, you must frequently change retail prices strategically in a way that attracts customers while covering costs and bringing in reasonable profit.

Retail format

Suggests the type of retail mix (nature of merchandise and service offered, pricing policy, advertising and promotion program, approach to store design and visual merchandising, typical location.

Sustainable competitive advantage is an advantage over the competition that is not easily copied and thus can be maintained over a long period of time.

TARGET MARKET AND RETAIL FORMAT

Retailing concept is a management orientation that focuses a retailer on determining the needs of its target market and satisfying those needs more effectively and efficiently than its competitors do.

Retail market is a group of consumers with similar needs (a market segment) that is serviced by a group of retailers using a similar retail format to satisfy them.

Growth Strategies:

1. Market Penetration:
   - Description: Increasing market share in existing markets with current products.
   - Approach: Attracting new customers or encouraging existing ones to buy more frequently.

2. Market Development:
   - Description: Introducing existing products to new markets.
   - Approach: Entering new geographic areas or demographic segments.

3. Product Development:
   - Description: Creating and introducing new products to existing markets.

- Approach: Innovating and expanding the product line to meet changing customer needs.

4. Diversification:
   - Description: Entering new markets with new products.
   - Approach: Taking on new risks by exploring unfamiliar territories.

5. Horizontal Integration:
   - Description: Acquiring or merging with competitors to strengthen market presence.
   - Approach: Consolidating market power by combining forces with similar businesses.

6. Vertical Integration:
   - Description: Controlling various stages of the supply chain.
   - Approach: Integrating suppliers or distributors to improve efficiency and reduce costs.

7. Franchising:
   - Description: Expanding by allowing others to operate under the established brand.
   - Approach: Offering business opportunities to franchisees.

8. Strategic Alliances:
   - Description: Collaborating with other businesses for mutual benefit.
   - Approach: Forming partnerships to leverage strengths and resources.

9. E-commerce Expansion:
   - Description: Growing through online channels.
   - Approach: Investing in online platforms and improving the digital customer experience.

10. Global Expansion:
    - Description: Extending operations to international markets.
    - Approach: Adapting products and strategies for global audiences.

Pricing Strategy:

1. Cost-Plus Pricing:
   - Description: Setting prices based on production costs and adding a markup.
   - Objective: Ensuring costs are covered and generating profit.

2. Value-Based Pricing:
   - Description: Pricing based on the perceived value to customers.

- Objective: Aligning prices with the perceived benefits of the product or service.

3. Skimming Pricing:
   - Description: Setting high initial prices and gradually lowering them.
   - Objective: Maximizing profits from early adopters before attracting price-sensitive customers.

4. Penetration Pricing:
   - Description: Setting low initial prices to gain market share quickly.
   - Objective: Attracting a large customer base and discouraging competitors.

5. Dynamic Pricing:
   - Description: Adjusting prices in real-time based on market demand and conditions.
   - Objective: Optimizing revenue by responding to fluctuations in the market.

6. Psychological Pricing:
   - Description: Setting prices to influence customers' perception of value.
   - Objective: Leveraging psychological factors like odd pricing (e.g., $9.99) to impact consumer behavior.

7. Bundle Pricing:
   - Description: Selling multiple products or services as a package at a lower price.
   - Objective: Encouraging customers to purchase more by offering a perceived value.

8. Promotional Pricing:
   - Description: Temporarily reducing prices for promotions or sales events.
   - Objective: Stimulating short-term sales and attracting price-sensitive customers.

9. Competitive Pricing:
   - Description: Setting prices based on competitors' prices.
   - Objective: Maintaining price competitiveness within the industry.

10. Loss Leader Pricing:
    - Description: Offering one product at a loss to encourage the sale of complementary products.
    - Objective: Attracting customers with a low-priced item and encouraging additional purchases.

Effective growth and pricing strategies depend on a thorough understanding of the market, competition, and customer preferences. Companies often employ a combination of these strategies to achieve their business objectives and remain competitive in dynamic markets.

Consumer Behavior

- It comprises of two word "**consumer**" and **behavior**. Consumer refers to an individual, group or organization who is engaged in various purchase activities and behavior means the way an individual, ggroup or organization make purchase.
- It is the study of how individual consumers, groups or organization select, buy, use & dispose ideas, goods and services to ssatisfy their needs and wants.
- It is the detailed analysis of the behaviour of consumers about the product, the reason of purchasing the product, the place preferred for purchasing it etc.
- Consumer Behaviorr is the process whereby individuals decide what, when, how and from where to purchase goods and services -Walters & Paul

IMPORTANCE OF CONSUMER BEHAVIOUR

1. **Increase sales**
2. **Setting prices**
3. **sales promotion**
4. **Helps in competitive analysis**
5. **Helps in forecasting**
6. **Targeting & Segmentation**
7. **Designing product portfolio**

Factors Affecting Consumer Behavior

Individual Determinants

External Factors

Consumer Decision Making Process

It's important to note that the consumer decision making process has many different names, including but not limited to the buyer journey, buying cycle, buyer funnel, and consumer purchase decision process. But all the names essentially refer to the same thing: The journey a customer goes through when making a purchase.

So, here's a breakdown of what happens in each step:

1. **Need recognition (awareness):** The first and most important stage of the buying process, because every sale begins when a customer becomes aware that they have a need for a product or service.
2. **Search for information (research):** During this stage, customers want to find out their options.
3. **Evaluation of alternatives (consideration):** This is the stage when a customer is comparing options to make the best choice.
4. **Purchasing decision (conversion)**: During this stage, buying behavior turns into action – it's time for the consumer to buy!
5. **Post-purchase evaluation (re-purchase):** After making a purchase, consumers consider whether it was worth it, whether they will recommend the product/service/brand to others, whether they would buy again, and what feedback they would give.

Now, to show you how these stages of the buying decision process play out in real life, here are consumer buying process examples that outline each of the steps and ways for your eCommerce brand to maximize results during each stage.

Organizational Buying Behavior:

Organizational buying behavior refers to how businesses purchase goods and services. It is influenced by several factors, including the type of organization, size, the nature of the product or service being purchased, and the organizational buyer's role. Organizational buying behavior can be divided into three main types: routine buying, modified rebuying, and new buying. Routine buying occurs when an organization purchases goods or services similar to those previously purchased.

The basic features of organizational buying are listed as follows:

- The organizational market has few buyers who buy their required products in a large quantity.
- Organizations maintain very close relationships with their suppliers and customers.
- Organizations often adapt their products, services, and other elements of the marketing mix to meet the requirement of buyers.
- Organizations buy goods and services by complying with the government and organization’s laws, rules, and regulations.

- The organizational buying is mostly technical and based mostly on some logical reasons.
- Organizational buying involves infrequent purchases i.e. organizations do not tend to buy goods frequently as an individual buyer usually does.

Organizational consumers Behavior

Organizational buying behavior refers to how businesses purchase goods and services. It is influenced by several factors, including the type of organization, size, the nature of the product or service being purchased, and the organizational buyer's role.

It refers to the behavior of consumers when it comes to purchasing products or services from organizations. But why does this matter? Organizations buy from other companies too, and those transactions greatly affect the business world.

Organizational buying behavior can be divided into three main types: routine buying, modified rebuying, and new buying. Routine buying occurs when an organization purchases goods or services similar to those previously purchased.

How does Organization's Buying Behavior work?

Organization buying behaviour involves how organizations buy goods or services from suppliers. It is a complex process that requires careful consideration of cost, quality, and convenience. Here are some key points to consider when understanding how organizational buying behaviour works:

1) Needs/Wants: Organizations must first identify their needs and wants to determine what type of product or service they need to purchase. This includes evaluating the organization's budget, desired features, size of the purchase, time frame for purchasing decisions etc.

2) Research Suppliers: Once organizations have identified their needs and want, they can begin researching potential suppliers capable of providing these products/services at an acceptable price point. They may also consider any affiliations with certain brands or other companies and supplier ratings on various platforms.

3) Select/Evaluate The Supplier: After conducting research, organizations should select one or two potential suppliers best suited for their particular needs and requirements before formally negotiating terms with them (e.g., pricing structure). Additionally, organizations can evaluate each supplier based on factors such as delivery timescales, customer service capabilities, etc., to ensure it fits within the framework set by the organization's specific objectives before making a final choice about which supplier will be used for this project/purchase decision.

4) Negotiate Terms & Conditions: Once both parties agree upon terms and conditions related to pricing structures and timeline expectations, then both parties can enter into a contract formalizing agreement between them regarding said topics so that all involved understand what is expected out of this transaction moving forward before ordering/delivering goods or services being discussed hereinbefore mentioned above.

5) Final Decision: After considering these factors and reaching an agreement, the organization can make their final purchase decision. They should ensure that they are obtaining value for their money and that the supplier they have chosen is reliable and trustworthy. They should also consider any potential risks associated with this supplier before committing.

Organization buying behaviour is a complex process, but understanding each step can help organizations make informed decisions about which suppliers to use for their needs and wants.

Factors Affecting Organizational Buying Behavior

Economic Factor

Economic factors play an essential role in the buying behaviour of organizations. When purchasing decisions, organizations consider economic conditions such as inflation, taxes, interest rates and consumer income levels. The economy's stability profoundly affects how much money businesses are willing to spend on goods or services. If a company operates in an uncertain economic climate, it will likely be more conservative with its spending and opt for cheaper products.

Economic factors have a major influence on organizational buying behaviour due to their direct impact on profitability and cost savings opportunities. On the other hand, if a business is flourishing in a healthy economy with low unemployment and rising wages, it may be inclined to invest more money into higher-quality products to help it stay ahead of its competition. Additionally, companies must factor in their budget before making any purchase decision which limits what they're able to purchase within their desired price range.

Technological Factor

Technology is playing an increasingly important role in influencing organizational buying behaviour. Technological advances can create new opportunities for firms to reduce costs and increase efficiency, leading to changes in purchasing decisions. For example, automated solutions such as robotic process automation (RPA) or AI-driven decision-making are becoming more popular among organizations because they allow them to free up their time and resources while also optimizing their operations.

Technology can also influence the types of vendors that organizations choose and the products and services they purchase.

Organizations may look for suppliers who have invested heavily in innovative technologies or those with a proven track record of successful technology deployments. Additionally, technological trends such as cloud computing or big data analysis are driving organizations towards vendors that provide these capabilities so they can stay competitive in their industries.

Political and Legal Factors

Political and legal factors have a major influence on organizational buying behaviour. Government policies, regulations and laws determine the terms of purchase for many organizations, such as labour laws and environmental regulations. These factors can limit what an organization can buy or receive in terms of goods/services as well as how much they can spend on certain items. Additionally, taxes, subsidies, tariffs and other government incentives affect the cost of acquiring products from suppliers, which impacts organizational buying decisions.

Political unrest or changes in government leadership also have a huge effect when it comes to decision-making regarding purchasing patterns, as do ethical considerations about sourcing products from different countries or regions (e.g., boycotts). Ultimately, political and legal forces shape an organization's ability to purchase certain items within their budget constraints and their moral obligation to make ethical choices while doing so.

Social Responsibility Factor

Organizational buying behaviour is heavily impacted by the social responsibility factor. Companies are now more conscious of their impact on society, leading them to consider how their decisions affect the bottom line, the people and environments in the local community, and beyond. Corporate social responsibility initiatives such as donating a certain percentage of profits to charities, reducing environmental footprints, or offering employees additional benefits and support can influence purchasing decisions.

Consumers today expect companies they purchase from to be transparent in their actions, making it important for organizations to act responsibly while still maintaining competitive prices. Organizations that actively demonstrate socially responsible behaviours may gain an edge over competitors who do not prioritize these values, ultimately resulting in increased sales.

Organizational Factor

Organizational factors play an important role in influencing organizational buying behaviour. These factors include organizational structure, size and resources such as budget, staff availability and technology. The larger the organization is, the more complex its decision-making process becomes due to the different stakeholders involved in making decisions. Additionally, the higher the budget available for purchases determines how much a company can spend on products or services being bought.

Furthermore, staff availability also directly impacts whether they have enough people to undertake research and make informed decisions when it comes to spending money. Lastly, technology makes it easier for companies to do research online, affecting their buying choices and getting access to industry trends and new products quickly. These organisational factors directly affect an organization's buying behaviour, making them fundamental elements of consideration by buyers before committing any expenditures.

Risk Attitude Factors

Risk Attitude Factors are an important determinant of organizational buying behaviour. They refer to the degree of risk aversion or comfort with taking risks when making purchasing decisions. This can influence how much research and consideration is given when choosing suppliers and what type of alternative solutions may be sought. Purchasing managers may be more likely to choose a well-known vendor if they have a low tolerance for taking risks, but those with a greater risk appetite may consider less familiar vendors that offer better pricing structures or other advantages.

Additionally, different departments within an organization may have varying levels of risk attitudes, which could affect the overall decision-making process and outcome. Understanding these factors can help organizations make informed decisions about their supplier selection processes and ensure the best possible options are being considered for each situation.

Interpersonal Factors

Interpersonal factors are an important factor in organizational buying behaviour. Interpersonal relationships and interactions between buyers, their peers and outside organizations can significantly impact how purchases are made. In particular, the influence of key decision makers such as senior management or influential people within the organization can play a major role in influencing buying decisions.

Additionally, informal networks within an organization often help shape purchase decisions by providing information and support that is unavailable through formal channels.

Interpersonal dynamics such as power differentials between parties involved in buying processes also affect organizational purchasing behaviour; for example, suppliers may exert more influence over buyers if they possess superior bargaining power due to market dominance or industry expertise. Understanding interpersonal factors are, therefore, essential for understanding organizational buyer behaviour.

Psychological Factors

Psychological factors heavily influence organizational buying behaviour. These factors can refer to the emotional state of individuals in a company, which affects their decision-making abilities and preferences when purchasing. Furthermore, individual attitudes towards various products or services can also influence organizational buying decisions. For example, if employees have strong positive feelings about a particular brand, they may be more likely to recommend it over competitors' offerings.

Conversely, negative emotions towards certain brands may lead people to not purchase from them at all. Additionally, perceptions of quality and price are key psychological considerations that need to be considered when evaluating potential purchases for a business venture. Understanding these elements can help organizations make better-informed buying decisions to satisfy their customers' needs while optimizing costs for the company itself.

Post purchase behavior Service Retailing-Importance of service retailing and its Challenges.

Post-purchase behavior in service retailing refers to the activities and experiences that occur after a customer has made a purchase. In the context of service retailing, which involves the sale of intangible services rather than tangible products, post-purchase behavior is particularly significant. Here are some key aspects:

1. **Customer Satisfaction:** The primary goal of post-purchase behavior is to ensure customer satisfaction. This involves assessing whether the service met or exceeded customer expectations. Satisfied customers are more likely to become repeat customers and may even become advocates for the service.
2. **Service Quality Evaluation:** Customers often evaluate the quality of a service based on their post-purchase experiences. Factors such as responsiveness, reliability, assurance, empathy, and tangibles (physical appearance of facilities, equipment, personnel) contribute to the perceived service quality.
3. **Feedback and Reviews:** Customers may provide feedback or write reviews about their service experience. Positive reviews can enhance the reputation of the service provider, while negative reviews can have a detrimental impact. Monitoring and responding to customer feedback are crucial aspects of post-purchase management.
4. **Relationship Building:** Building long-term relationships with customers is a key objective in service retailing. Post-purchase interactions, such as follow-up communications, loyalty programs, and personalized services, contribute to fostering a positive and enduring relationship.
5. **Problem Resolution:** In service industries, issues or complaints may arise after the purchase. Effective problem resolution is vital for maintaining customer satisfaction. Quick and satisfactory resolution of problems can turn a potentially negative experience into a positive one.

Importance of Service Retailing:

1. Intangibility: Services are intangible, meaning they cannot be touched or seen before purchase. This makes the service encounter itself a crucial part of the overall customer experience.

2.Customer Experience: Service retailing places a strong emphasis on the overall customer experience. The way services are delivered, the interactions with service personnel, and the environment in which the service is provided all contribute to the customer's perception of the service.

3. Customer Loyalty: Providing excellent service can lead to increased customer loyalty. Satisfied customers are more likely to return for additional services and are more inclined to recommend the service to others

4. Competitive Advantage: In many industries, especially those where differentiation is challenging based on the physical product alone, service quality can be a significant source of competitive advantage.

Challenges in Service Retailing

1. **Intangibility and Inseparability**: The intangible nature of services makes it challenging for customers to evaluate them before purchase. Additionally, services are often produced and consumed simultaneously, leading to inseparability, which can complicate the delivery process.

2. **Quality Control**: Ensuring consistent service quality can be challenging, especially when service delivery depends on the actions of frontline employees. Training and monitoring are essential to maintain high standards.

3. **Customer Expectations**: Managing customer expectations is crucial in service retailing. Exceeding or failing to meet customer expectations can significantly impact satisfaction levels.

4. **Employee Training and Engagement:** Since service encounters often involve direct interactions between employees and customers, the training and engagement of frontline staff are critical. A motivated and well-trained workforce contributes to positive customer experiences.

5. **Service Recovery:** When issues arise, effective service recovery is essential. Handling complaints and resolving problems promptly and effectively is crucial to maintaining customer satisfaction.

6. **Technology Integration**: Embracing and effectively integrating technology into service delivery can be challenging for some businesses. However, technology can enhance efficiency, personalization, and overall customer experience.

Understanding and addressing these challenges are essential for service retailers to thrive in a competitive market and build lasting relationships with customers. Continuous improvement and a customer-centric approach are key strategies in overcoming these challenges.

Consumer Behavior in Services zone of Tolerance

The "zone of tolerance" in the context of consumer behavior in services refers to the range of acceptable service levels that customers are willing to tolerate. It reflects the acceptable variability in service quality that customers consider reasonable. This concept is particularly relevant in the service industry, where the quality of the service experience can be subjective and influenced by various factors.

Here are key aspects related to the zone of tolerance in consumer behavior in services:

1. Perceived Service Quality:

- Customers form expectations about the service they anticipate receiving. These expectations are based on past experiences, word-of-mouth, marketing communications, and other factors.
- The zone of tolerance is the range between the minimum and maximum service levels that customers find acceptable. It's the area where service quality meets or exceeds customer expectations.

2. Components of the Zone of Tolerance:

- Zone of Adequacy: The lower end of the tolerance range represents the minimum service level that customers find acceptable. Below this threshold, customers may perceive the service as inadequate or unacceptable.
- Zone of Delight: The upper end of the tolerance range represents the maximum service level that customers find acceptable. Beyond this point, customers may experience diminishing returns, and the additional service quality may not significantly enhance satisfaction.

3. Factors Influencing the Zone of Tolerance:

- Type of Service: Different types of services may have varying levels of tolerance. For example, customers may have higher expectations for personalized services compared to standardized services.
- Industry Norms: Customers' perceptions of service quality are often influenced by industry standards and norms. Deviations from these norms can impact the zone of tolerance.
- Individual Differences: Customers have unique preferences, experiences, and expectations. The zone of tolerance can vary from one individual to another.

4. Service Failures and Recovery:

- When service falls below the lower limit of the zone of tolerance, it is considered a service failure. Effective service recovery measures are crucial to bringing the service back within the acceptable range and preventing customer dissatisfaction.
- Service recovery efforts that exceed customer expectations can positively influence the upper limit of the zone of tolerance.

5. Continuous Monitoring and Adjustment:
   - The zone of tolerance is not fixed; it can change based on factors such as evolving customer expectations, changes in competition, and industry trends.
   - Service providers need to continuously monitor customer feedback, adapt to changing expectations, and make adjustments to stay within the acceptable range.

Understanding the zone of tolerance helps service providers manage customer expectations, deliver consistent service quality, and respond effectively to service failures. By staying within the acceptable range, service providers can enhance customer satisfaction, loyalty, and positive word-of-mouth.

SERVICE PERCEPTION AND EXPECTATION

An organization that understands customer expectations and is able to fulfill them to the best of its ability is the one that succeeds in the competitive world of marketing. Fulfilling customer expectations leads to satisfaction and exceeding expectations in terms of service delivery results in delight. However, when a customer expects superior service and his experience is otherwise, he feels dissatisfied. Dissatisfaction of customers may result in several adverse effects such as spread of negative word of mouth. Hence, it is important for a firm to promise only what they can deliver in order to abstain from having dissatisfied customers.

Expectations of service

People form expectations of the services they are about to avail based on their own prior experience, familiarity past experiences of near and dear ones. Perceptions are affected by expectations. Examples of expectations and perceptions:

• A student who has taken admission in a reputed University and has heard of the high-quality education being offered by it shall probably perceive the institute in the same manner once he there starts studying

• A girl who has been told how horrifying a horror movie is will probably perceive it the same way when she watches it.

•A boy who goes to a salon for a haircut shall probably like the services offered if the salon has previously been praised by his friends.

Perceptions of Service

Perception, in general, is defined as a process through which people select organized stimuli and interpret it such that it frames a meaningful picture. Perceptions vary from one person to the other. For marketers, perception of customers is more important than reality since customers make purchases on the basis of their perceptions.

For example, people perceive Dominos to deliver their pizzas in 30 minutes. This is because they have positioned their product and services in that manner. Adhering to promises and fulfilling them helps in building brand image.

Perceived Quality of Services

A service may deliver high quality in reality, however it is not necessary that the quality of service offered is perceived as superior by the consumer. Perceived quality of the service shall be dependent on various cues that may be classified as extrinsic or intrinsic cues. It is difficult to gauge the quality of service being availed since it is intangible and perishable.

At times, there exists a gap between what the customer expects and what he receives. This is best explained by the framework called Gaps Model. The larger the gap between expectations and perceptions, more is the dissatisfaction. Hence, it is in a marketer's best interest that he narrows the gap to the maximum extent possible to be able to fulfill the customer's expectations.

The SERVQUAL scale is used for measuring the "gaps" that exist between the expectations of the consumer and his perceptions of service availed. The measurement of these distances between expectations and perceptions, called gaps, is done based on two major factors:

1. Outcomes

These depend on the reliability of services being delivered to the consumer. For example, whether or not a flight you took helped you reach the desired destination.

2. Processes

These predominantly focus on how desired core services were delivered. This includes aspects like assurance and empathy. For example, the behavior of flight attendants while dealing with you in the flight.

Processes aid companies and service houses in not only meeting, but exceeding customer expectations.

For example, the core service of Amazon is to sell varied products and brands. However, what helps it succeed in a competitive market is the superior "processes" that it follows, like timely and reliable delivery of products. One can also track the ordered product while in transit. All of this contributes immensely in increasing the brand loyalty of existing customers and also in customer acquisition.

Service Strategy

A service strategy is a comprehensive plan that outlines how an organization intends to deliver, manage, and improve its services to meet the needs and expectations of customers. Developing a robust service strategy is crucial for organizations, particularly in service-oriented industries, to create a competitive advantage, enhance customer satisfaction, and achieve business objectives.

A service strategy is a key aspect of service management that focuses on developing and implementing strategies to deliver effective and efficient services that align with an organization's overall business objectives. It involves identifying the services that an organization should offer, determining the target market for these services, and developing a plan to deliver them.

Importance of service strategy

It is very important in a highly competitive business environment that there is a service strategy present in order to address customer needs and wants. Following are a few of the reasons which elaborate on the importance of service strategy:

1. The cost of getting a new customer is much more than entering the retention of the existing customers. The customer strategy for service strategy should be in sync with the marketing strategy of the company.
2. It is a well-known fact that to get a new customer the cost would be 5 to 10 times more than that of the cost of retaining a current customer. More often than not customers are lost because of poor services and bad treatment which gives them unsatisfactory. It is also estimated that an unhappy customer will talk about his dissatisfaction to at least 8 to 16 other potential customers. Adding social media and that the satisfied customer's voice will reach 1600 more people which is why customer retention is of crucial importance to the organization.
3. Looking on the other side of service strategy a customer who is satisfied or who is loyal will cost not even a single penny but will add value to the business by being word-of-mouth ambassador. This will save millions of bucks of the company since it is free publicity from the customer to a potential customer. This is the reason why every customer should be satisfied with the service strategy.
4. It is also stated that customer loyalty can have any impact on the business. Making the customer is important creates all customers and those all customers will continue to do business in spite of increasing competition. Higher customer

loyalty translates into higher customer retention and better competitive advantage.

5. Companies should ensure that the service strategy is in sync with the vision and mission of the organization. They should complement the strategy of the organization. Companies to take time in order to develop and implement an efficient service strategy which will be responsible for the retention of the existing customers.

7 Steps to create an efficient service strategy

In most of the cases, the Service strategy depends on the nature of the business but here are the following steps which can generally be used and implemented by most of the service organizations.

1) Crafting a service vision, The primary step is to communicate the vision of the service to the employees associated with the business. The employees associated with the organization should understand and comprehend the organizational goals and the vision of the organization and should be able to write their responsibility to help the company achieve that vision.

2) Contemplating the customer needs More often than not the companies fail and waste their valuable resources in creating services of product that the company thought customers would want only to know that the offering was not what the customers wanted at all.
The important part is to know what the customer needs and to put it in sync with the organization's vision and mission. Taking the feedback of customers is the first step in order to know and determine what their expectations are so that the company can form a strategy around the feedback obtained in order to deliver and meet the expectations of customers.
The market needs for customer needs can be assessed using a method such as satisfaction surveys for focus groups and the customer feedback forms. Development of such feedback forms and questionnaires is very important and should focus on the questions that need to be answered by the customers.
It is also very important to keep in mind that the needs of customers keep on changing with time and are like a moving target. Since it constantly keeps changing it is very important for the companies to form a process which will continuously keep on updating them about the changing needs of the customer so that the companies can prepare and modify themselves and their offerings accordingly.

3) Right hiring When it comes to facing the customers, it is not the company who is going to face them rather it is the employees who are going to face the customers. Employees are the face of the organization and organization has to ensure that the face is represented correctly.

The employees should have the right skill set which meets the goals of the organization and helps to form a strong network and backbone to provide service to the customers. Having a right attitude and personality is something which companies cannot develop in the employees which is why they should take care of these things with hearing.

Most of the things can be incepted and developed in the employees but most of the other things have to be built in. Interacting with customers and providing services is an art more than science and not everyone can achieve it.

4) Goal setting for the service team Wednesday identification of customer needs and the parameters for customer satisfaction is done then the organizations have to create goals for the service team in order to achieve customer satisfaction. These goals should be measurable and quantifiable so that the organization can grow the employees as well as along with the growth of the business.

The employees should be able to understand the vision and mission and the target of the organization so that they can align themselves to reach chief and exceed those objectives. An example of customer satisfaction can be given as follows:

The service team of a refrigerator company provides after sales service. Once the customer causes about the breakdown of the machine the time taken by the service team to reach the place of the customer and correct the machine is measured.

The lesser the time to attend the customer breakdown calls the higher would be the customer satisfaction. This can be a measurable parameter in order to appraise the employees.

5) Constant training and development Once the hiring is done in a proper and correct way the employees will have some inborn cause it is which the organization will be able to utilize them in order to serve the customers correctly. The other part of having a good service team is providing them with constant training in order to upgrade their technical skills.

The training should focus not only on technical skills but also on interacting with customers. Right service strategy requires suitable training to the service team so that not only the customer but also your organization benefit from it.

The employees need to know about the goals of the organization so that they can modify themselves to fit accordingly. The need to be trained not only on the technical skills but also on other soft skills like answering the customer phone calls and customer complaints and providing services.

6) Accountability Organizations should ensure that the employees have a suitable understanding of the importance of good customer service and how their actions affect the organization's performance overall. The organizations should also ensure that the employees are held accountable in order to achieve the service goals.

This also forms the part of the performance management system and should be embedded in the culture of the company.

For example, rewarding the employee with the highest customer satisfaction and working on the employee with over customer satisfaction.

7) Awards and recognitions Positive reinforcement always works in every organization which is why it is very important to recognize the performing employees who are responsible for excellent customer service. This will help the other employees to perform well and live up to the set goals or exceed them.

This also reinforces the vision and mission of the organization and the service strategy which is chalked out for everyone. A successful organization is categorized by strong customer service.

Service triangle

The "Service Triangle" is a concept in service marketing that represents the three key participants involved in the delivery and consumption of services. This model emphasizes the interdependence of the service provider, the customer, and the organization's system or policies. The Service Triangle is also known as the "Service Profit Chain" or the "S-1-C-3" model, representing the three Cs: Company, Customers, and Employees.

Here's an overview of each **element** in the Service Triangle:

1. **Service Provider (Company):**

 - The company or service provider is at the top of the triangle. This includes the organization delivering the service.

 - The service provider is responsible for designing and implementing service processes, establishing policies, training employees, and creating an overall service strategy.

2. **Customer:**

 - The customer is on one corner of the triangle, representing the end-user or recipient of the service.

 - Customer satisfaction and loyalty are critical components of the Service Triangle. The customer's expectations, perceptions, and feedback play a central role in the success of the service.

3. **Service Employees (or Systems):**

 - The other corner of the triangle represents the employees or systems within the organization that deliver the service.

- Service employees are the frontline personnel who directly interact with customers. They are crucial in influencing the customer's perception of the service quality.

Key Relationships and Dynamics:

1. Company to Customer (C1):
   - This relationship emphasizes how the company interacts with customers. It involves aspects such as marketing communications, pricing strategies, and the design of service offerings.
2. Company to Employees (C2):
   - This relationship focuses on how the company manages and supports its employees. Employee training, empowerment, and motivation are critical in ensuring that frontline staff can deliver high-quality service.
3. Employees to Customer (C3):
   - This relationship highlights the interactions between service employees and customers. The behavior, competence, and attitude of frontline staff directly impact the customer experience.
4. Customer to Company (C4):
   - This relationship represents customer feedback, expectations, and loyalty. Understanding customer needs and preferences is essential for the company to adapt its services accordingly.

Key Insights from the Service Triangle:

1. Interdependence:
   - The Service Triangle emphasizes the interdependence of the three elements. Success in service delivery requires a coordinated effort among the company, its employees, and the customers.
2. Service Quality:
   - Service quality is a result of the interactions and relationships within the triangle. It's influenced by how well the company manages its employees, how employees interact with customers, and how customers perceive and respond to the service.
3. Continuous Improvement:
   - The model suggests that continuous improvement in service quality requires attention to each relationship (C1, C2, C3, C4) and ongoing efforts to align the interests of the company, employees, and customers.

Understanding and managing the dynamics within the Service Triangle can help organizations enhance their service delivery, build strong customer relationships, and create a competitive advantage in the marketplace.

MARKETING MIX

- The process of marketing or distribution of goods requires particular attention of management because production has no relevance unless products are sold. Marketing mix is the process of designing and integrating various elements of marketing in such a way to ensure the achievement of enterprise objectives.
- The elements of marketing mix have been classified under four heads—product, price, place and promotion. That is why marketing mix is said to be a combination of four p's
- According to Philip Kotler, 'marketing mix is the mixture of controllable marketing variable that the firm uses to pursue the sought level of sales in the target market'

Elements of Marketing Mix

Product

The product is either a tangible good or an intangible service that is seem to meet a specific customer need or demand. All products follow a logical product life cycle and it is vital for marketers to understand and plan for the various stages and their unique challenges. It is key to understand those problems that the product is attempting to solve. The benefits offered by the product and all its features need to be understood and the unique selling proposition of the product need to be studied. In addition, the potential buyers of the product need to be identified and understood.

Price

Price covers the actual amount the end user is expected to pay for a product. How a product is priced will directly affect how it sells. This is linked to what the perceived value of the product is to the customer rather than an objective costing of the product on offer. If a product is priced higher or lower than its perceived value, then it will not sell. This is why it is imperative to understand how a customer sees what you are selling. If there is a positive customer value, than a product may be successfully priced higher than its objective monetary value. Conversely, if a product has little value in the eyes of the consumer, then it may need to be underpriced to sell. Price may also be affected by distribution plans, value chain costs and markups and how competitors price a rival product.

Promotion

The marketing communication strategies and techniques all fall under the promotion heading. These may include advertising, sales promotions, special offers and public relations. Whatever the channel used, it is necessary for it to be suitable for the product, the price and the end user it is being marketed to. It is important to differentiate between marketing and promotion. Promotion is just the communication aspect of the entire marketing function.

Place

Place or placement has to do with how the product will be provided to the customer. Distribution is a key element of placement. The placement strategy will help assess what channel is the most suited to a product. How a product is accessed by the end user also needs to compliment the rest of the product strategy.

CHALLENGES

Over the years, marketing managers have felt that the traditional marketing mix has its limitations in how it is structured. Several important elements have been grouped within four larger categories thereby belittling their true importance amid several factors. Two main criticisms and their solutions:

Lack of Focus on Services

The conventional marketing mix tends to be applicable to tangible goods i.e. the traditional definition of products. Services or intangible goods are also a vital customer offering and can be planned for in much the same way as physical products. To cater to the unique challenges of services, the 4P model has been supplemented with 3 additional categories which are:

- **Physical Evidence** is proof and a reassurance that a service was performed
- **People** are the employees who deliver the service
- **Processes** are the methods through which a service is executed and delivered to the customer

MARKET SEGMENTATION

According to Stanton, "Market segmentation consists of taking the total, heterogeneous market for a production dividing it. into several sub-markets or segments, each of which tends to be homogeneous in all significant aspects."

According to Kotler, 'tile purpose of segmentation is to determine difference among buyers which may be consequential in choosing among them or marketing to them.

Market segmentation is the process of dividing a target market into smaller, more defined categories. It segments customers and audiences into groups that share similar characteristics such as demographics, interests, needs, or location.

Market segmentation enables a business to conduct strong market research into customers. It also enables in-depth market-based research. It reveals consumer experience insights, product development innovation approaches, suggestions for boosting customer loyalty, and more.

FEATURES OR CHARACTERISTICS OF MARKET SEGMENTATION –

1. It consists of a group of customers who share a similar set of wants.
2. The marketer does not create the se^g^ments, but identify the segments and decide which one to target.
3. Market segmentation is the result of -modern marketing concept' and micro marketing.
4. Varied and complex buyer behavior is the root cause of market segmentation.
5. It is a method for achieving maximum market response from limited marketing resources by recognizing differences in the response characteristics of various parts of the market.
6. It is being used as strategy of **'divide and conquer'.**
7. It enables the marketers to give better alternatives to the selection of customers and offer an appropriate marketing-mix.
8. To divide customers in homogeneous groups on the basis of their attributes and nature so that suitable marketing programs may be prepared for each segment (group).
9. To find out customers' preferences, their interests and buying habits so that it may be decided whether homogeneous marketing efforts would be suitable for all customers or not.
10. To find out areas where new customers may be made while making proper marketing efforts.
11. To find out purchase potential of different customer groups.
12. To make organization customer-oriented so that profit may be earned through customer

satisfaction.

13. Market segmentation provides a basis for improved performance through correct application of selected marketing concepts and techniques.

FAVOURABLE CONDITIONS FOR EFFECTIVE MARKET SEGMENTATION

The use of the concept of market segmentation will be more useful in the following conditions:

1. The number of potential customers of the target market must be measurable.
2. The various required information and data about the target market must be accessible.
3. There must be consumers in sufficient number to provide profitable sales volume to the company.
4. The prospective target segment must be accessible itself through the existing channels of distribution of the company, the advertising media and sales-force to minimize cost and unnecessary wastage of efforts

BASES FOR MARKET SEGMENTATION

BASES FOR MARKET SEGMENTATION

(A) Geographic Bases
- (1) Climate
- (2) Region
- (3) Topography:
  - (a) Plains
  - (b) Hilly areas
  - (c) Coastal areas
  - (d) Desert

(B) Demographic Bases
- (1) Regional distribution of population
- (2) Metros, urban, sub-urban and rural distribution of population
- (3) Age-group distribution of population
- (4) Sex
- (5) Education
- (6) Occupation
- (7) Language
- (8) Nationality
- (9) Family life-cycle
- (10) Size of the family

(C) Socio-economic Bases
- (1) Income levels
- (2) Culture
- (3) Religion
- (4) Social classes
- (5) Ethnic groups
- (6) Type of the family:
  - (a) Joint
  - (b) Nucleus

(D) Psychographic
- (1) Self-concept
- (2) Consumption-pattern
- (3) Life-styles
- (4) Autonomy
- (5) Conservatism-radical, liberal,

(E) Marketing Elements Bases
- (1) Ultimate consumers and industrial users
- (2) Price sensitivity of the market
- (3) Quality sensitivity of the market

SELECTION OF TARGET SEGMENT

In evaluating different market segments, the firm must look at two factors: the segment's overall attractiveness, and the company's objectives and resources. In brief, the following points should be kept in mind while evaluating and selecting a target market:

1. Size of the Segment.
2. Growth Potential.
3. Attractiveness.
4. Must be Measurable:
5. Accessible.
6. Resources.

Stanton has suggested the following four guidelines about how to determine which segment should be the target markets:'

(1) The target market should be compatible with the organization's goals and image.
(2) It should match with the market opportunity represented in the target market, with the company's resources.
(3) An organization should seek markets that will generate sufficient sale, volume at a low enough cost to result in a profit.
(4) A company ordinarily should seek a market where there are the least and smallest competitors.

UNIT 2

Merchandise Management

Merchandise management is the process that every retailer uses to plan and control their retail store's inventory. It is the process through which a retailer decides which items they should keep in their store, how much of the item they should have available to meet customer demand, where the products should be put on display in the store to boost sales, and how to price these items to achieve maximum sales and profits.

Merchandising is the sequence of various activities performed by the retailer such as planning, buying, and selling of products to the customers for their use. It is an integral part of handling store operations and e-commerce of retailing.

Merchandising presents the products in retail environment to influence the customer's buying decision.

Merchandising is the process of promoting specific products to increase sales. A business can experience an increase in consumer demand and sales if they stock preferred goods in a store and arrange them according to their categories.

Here are key components and activities related to merchandise management:

1. Merchandise Planning:
   - **Assortment Planning:** Determining the variety and range of products to offer, considering factors such as customer preferences, trends, and seasonality.
   - **Forecasting:** Estimating future demand for products based on historical data, market trends, and other relevant factors.
2. Procurement:
   - **Sourcing:** Identifying and establishing relationships with suppliers or manufacturers to obtain the products needed for the store.
   - **Negotiation:** Negotiating terms, including price, quantity, and delivery, with suppliers to ensure favorable conditions for the retailer.
3. Inventory Management:
   - **Stock Levels:** Monitoring and maintaining optimal inventory levels to prevent stockouts or overstocks.
   - **Reordering:** Implementing systems for automatic reordering of products to replenish inventory based on predetermined levels.
4. Allocation and Distribution:
   - **Allocation:** Distributing inventory to different stores or locations based on demand patterns and sales data.

- **Distribution Center Management:** Efficiently managing distribution centers to ensure timely and accurate delivery of products to stores.

5. Visual Merchandising:
- **Store Layout:** Designing the layout of the retail space to enhance the customer shopping experience and promote sales.
- **Display:** Creating visually appealing product displays to attract customer attention and encourage purchases.

6. Pricing Strategy:
- **Pricing Optimization:** Determining the optimal prices for products based on factors such as cost, competition, and perceived value.
- **Promotions:** Planning and executing promotions or discounts to drive sales and move inventory.

7. Performance Analysis:
- **Sales Analysis:** Analyzing sales data to evaluate the performance of products, identify trends, and make informed decisions.
- **Inventory Turnover:** Calculating the rate at which inventory is sold and replaced to assess the efficiency of inventory management.

8. Technology Integration:
- **Inventory Management Systems:** Implementing software solutions to automate and streamline inventory-related processes.
- **Data Analytics:** Leveraging data analytics tools to gain insights into customer behavior, market trends, and inventory performance.

Effective merchandise management requires a balance between customer preferences, market trends, and operational efficiency to ensure a profitable and satisfying shopping experience. Retailers often use advanced technologies and data analytics to enhance their merchandise management processes and stay competitive in the dynamic retail landscape.

Merchandising Philosophy

Merchandising philosophy refers to the overarching principles and beliefs that guide a retailer's approach to selecting, displaying, and selling products. It reflects the retailer's values, priorities, and strategies in the realm of merchandise management. Different retailers may adopt various merchandising philosophies based on their target market, business goals, and competitive landscape. Here are some common merchandising philosophies:

1. Customer-Centric Merchandising:
- **Focus:** Prioritizes understanding and meeting the needs and preferences of the target customers.
- **Key Practices:** In-depth market research, customer feedback analysis, and tailoring product assortments to cater to specific customer segments.

2. Profit Maximization:
- **Focus:** Emphasizes maximizing profitability through effective pricing, cost control, and inventory management.
- **Key Practices:** Implementing dynamic pricing strategies, negotiating favorable terms with suppliers, and optimizing inventory turnover.

3. Trend-Driven Merchandising:
- **Focus:** Places a strong emphasis on staying current with fashion trends, industry developments, and consumer preferences.
- **Key Practices:** Regularly updating product assortments, collaborating with trendy designers or brands, and monitoring fashion cycles.

4. Value-Based Merchandising:
- **Focus:** Emphasizes offering customers good value for their money, often by providing quality products at reasonable prices.
- **Key Practices:** Efficient sourcing to control costs, promoting value-oriented messaging, and implementing transparent pricing strategies.

5. Brand-Centric Merchandising:
- **Focus:** Centers around building and promoting the retailer's brand identity through the products it offers.
- **Key Practices:** Curating a distinctive product selection that aligns with the brand image, implementing consistent branding across marketing materials and store displays.

6. Data-Driven Merchandising:
- **Focus:** Relies on data and analytics to make informed decisions regarding product selection, pricing, and inventory management.
- **Key Practices:** Utilizing sophisticated analytics tools, employing predictive modeling for demand forecasting, and leveraging customer data for personalization.

7. Sustainable Merchandising:
- **Focus:** Prioritizes environmental and social sustainability in product sourcing, manufacturing, and distribution.
- **Key Practices:** Offering eco-friendly products, promoting fair trade practices, and adopting sustainable packaging and supply chain practices.

8. Experiential Merchandising:
- **Focus:** Aims to create a unique and memorable shopping experience for customers, going beyond the transactional aspect of buying products.
- **Key Practices:** Innovative store layouts, interactive displays, in-store events, and technology integration to enhance the overall shopping experience.

Retailers may integrate elements from multiple philosophies based on their specific circumstances and business objectives. The chosen merchandising philosophy plays a critical role in shaping a retailer's brand identity and influencing its competitiveness in the market.

What is merchandise planning?

Merchandise planning is a systematic approach to planning, buying, and selling merchandise based upon consumer demand. It means that if a customer wants to buy product X with color Y and size Z from your shop, you have that available when they come knocking.
Merchandise planning process refers to selecting, managing, and displaying products in a manner that they bring maximum turnover on a brand name. This is all done by meeting consumer needs and desires.

The activity seeks to meet consumer demand by making the right merchandise available to customers at the right time, place, price and quantity.

One of the biggest expenses retailers face is buying merchandise. All the costs of shipping, transporting, delivering, and storing add to a significant amount. Make the wrong purchasing decision, and you may end up doubling your merchandise purchasing costs for a month. Therefore, merchandising planning is important to ensure that expenses do not mount up, and a retailer is able to meet a customer’s needs the right way.

Understanding Merchandise Planning in the Retail Industry

The **merchandise planning process** is a critical one in the retail industry that involves effectively managing the assortment, inventory, pricing, and allocation of products to maximise profitability and meet customer demand. Retailers use the **retail planning process**, data-driven analysis and forecasting to determine which products to stock, how much to order, and when to offer discounts or promotions.

An effective **merchandising planning process** requires collaboration between different departments, such as merchandising, finance, and supply chain management, to ensure that the right products are available at the right time and in the right quantities. By optimising this process, retailers can improve sales, reduce costs, and enhance the customer shopping experience.

How to Develop a Merchandise Plan

The **steps in merchandise planning** typically involves:

1. **Define Your Target Customer** – Identify your target customers based on factors such as age, gender, lifestyle, interests, and spending habits.
2. **Seasonal Performance Review** – Analyze the previous season’s sales data, customer feedback, and inventory levels to identify successful and unsuccessful products. This

information is used to create a strategy for the upcoming season, which includes deciding which products to keep and which to remove to determine its pricing, promotions, and marketing strategies to maximize sales.

Ongoing Performance Optimization – Monitor your merchandise performance regularly and make adjustments as necessary to ensure continued success.

Merchandise Control – The Open To Buy

Merchandise control is a critical aspect of retail management, and the Open to Buy (OTB) system is an effective tool for managing inventory and purchasing. This allows retailers to set budgets, track sales, and adjust purchasing plans based on real-time data. With OTB in **retail merchandise planning**, retailers can ensure that they have the right products at the right time to meet customer demand and maximize profits.

Merchandise Budget

A merchandise budget is a financial plan that outlines the expected costs and revenues associated with a retailer's merchandise activities over a specific period. It serves as a critical tool for managing resources, optimizing inventory investments, and ensuring that the overall merchandising strategy aligns with the financial goals of the business.

A merchandise budget plan, as the very name implies, is a forecast of particular merchandise related activities designed for a particular period of time, say, one year or six months. Under this plan, rather than physical control of items, stress is given towards their financial planning.

Merchandise Budget Plans usually are made for one season and then broken down into shorter periods like monthly & weekly plans.

In an effective merchandise Budget Plan, a retailer forecasts and plans about five fundamental variables, namely, sales level, stock levels, purchases, reductions (markdowns) and gross margin.

The primary objective of having a merchandise budget plan is that a retailer would like to have a proper balance between:

(a) What will be paid to suppliers for purchase of merchandise and making it available to customers; and

(b) The cash inflow that will come in the business from sales to customers.

Though in practice, there are several accounting practices that allow some flexibility (for example extended credit terms or easy payment options), this balance is vital to maintain the firm's liquidity. For the effective accomplishment, the firm's internal records, past years experience must be carefully considered instead of relying on historical data alone that will lead to repeating previous mistakes, including previous missed opportunities.

Components of Merchandise Budget Plan:

The various components of a merchandise budget plans are as follows:

(1) Planned Sales and Stock levels:

Planning sales and stock levels is the first step in preparation of a sales forecast for a particular period (say one season) and for each month in that particular season for which a retailer wish to prepare a budget plan. After this, retailer should determine the beginning of month (B.O.M.) inventory in order to specify the desired rate of stock turn for each month of the season under study.

For example, a retailer's stock sales ratio for the month of February is six and predicted sales during February is Rs.80,000 then the planned BOM stock would be Rs.4,80,000.

Note: For the purpose of making budgeting effective, it is always suggested to calculate End-of-Month (E.O.M. stock), which is same as B.O.M. stock for the following month. Thus in this case, retailer's EOM stock for January will be same (Rs.4,80,000) to February's BOM stock.

(2) Planning for Reductions:

Planning for reductions is the third step in a merchandising budget plan which involves deciding about markdowns, employee discounts and shortages. Reducing prices is critical because the degree of reduction will have exactly the same effect on the value of stock as an equal amount of sales for that period. Markdown is used to push retail sales that offer particular merchandise at a price less than the merchandise marked price (normal price).

Shortages result from pilferage (in retailing it is known as shop lifting), accounting frauds, vendor theft and employee theft. Employee discount is also provided by some retail firms in order to build public image and employees' welfare by extra rebate and inviting them to buy merchandise before offering to general public by the way of sales.

(3) Planning For Purchases:

After planning sales and stock levels, opening stock (BOM), closing stock (EOM) and reductions, next step under merchandise budget plan is to plan for purchases in Rupees.

It is calculated as under:

urchase Planning = Planned Sales + Planned Reductions + EOM – BOM

Suppose for example, the planned E.O.M. stock for February was Rs 5, 60,000 and that reductions for February were estimated to be Rs 10,000.

Therefore, planned purchase will be calculated as under:

Planned Sales (Feb 1 – Feb 28)	=	Rs. 80,000
Planned Reductions	=	Rs. 10,000
Planned EOM stock (Feb 28)	=	Rs.5,60,000
Total:		Rs.6,50,000
Less: Planned BOM stock (Feb 1)	=	Rs.4,80,000
Therefore, planned purchases	=	Rs.1,70,000

The planned purchases figure usually is based on retail prices rather than at cost. In order to determine the financial resources required to procure merchandise, it becomes imperative on the part of retailer that he should determine planned purchases at cost.

The underlying gap between planned purchases at cost and at retail denotes the initial mark up goal for the merchandise under consideration. This objective is achieved by calculating by the amount of operating expenses required to attain the estimated sales volume, the profit expectations, and adding it with the reduction figure. Therefore,

$$\text{Initial Mark Up Goal} = \frac{(\text{Expenses} + \text{Profit} + \text{Reductions})}{(\text{Net Sales} + \text{Reductions})}$$

Sometimes, term Open-to-Buy is used synonymously with planned purchases where forecasts concur with actual results.

(4) Planning For Gross Margin and Operating Profit:

The gross margin usually is the initial mark up attuned for price variations, reductions, shrinkage and other stock shortages. The gap between gross margin and expenses needed to create sales will either contribute to profit or a net profit (i.e. profit before taxes), depending on retailer's accounting practice and the thinness of merchandise budgeting.

3. Evaluation of Merchandise Budget Plan:

Merchandise budget plan is used by retailers to determine how much money to allocate in each month on a particular merchandise category, considering the firm's sales forecast, inventory turnover and profit margins.

After developing a merchandise budget plan, retailer purchases the inventory for the upcoming season in advance and when season comes, retailer sells the merchandise. After the selling season, the retailer should determine how actually the category has performed against the plan forecasted. If the actual turnover and GMROI are greater than the forecasted, then the performance is better than retail's expectations and vice versa.

Evaluating the merchandise budget plan aims to balance the money outflows (for supplies) and inflows (received from customers by selling merchandise) for the next financial year or upcoming season. Is there any need to pre-order for some stock or the budget provided was sufficient to meet customers' demand, may be determined through evaluation only.

What Is Inventory Control?

Inventory control, also called stock control, is the process of ensuring the right amount of supply is available in an organization. With the appropriate internal and production controls, the practice ensures the company can meet customer demand and delivers financial elasticity.

Inventory control, also called stock control, is the process of managing a company's inventory levels, whether that be in their own warehouse or spread over other locations. It comprises management of items from the time you have them in stock to their final destination (ideally to customers) or disposal (not ideal). An inventory control system also monitors their movement, usage, and storage.
Inventory control means managing your inventory levels to ensure that you are keeping the optimal amount of each product. Proper inventory control can keep track of your purchase orders and keep a functional supply chain. Systems can be put in place to help with forecasting and allow you to set reorder points, too.
Inventory control can include:

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Inventory control can include:

- Barcode scanner integration
- Complete inventory counts
- Keeping track of physical inventory with sales and purchase orders

- Product details, locations, and histories
- Reports and adjustments

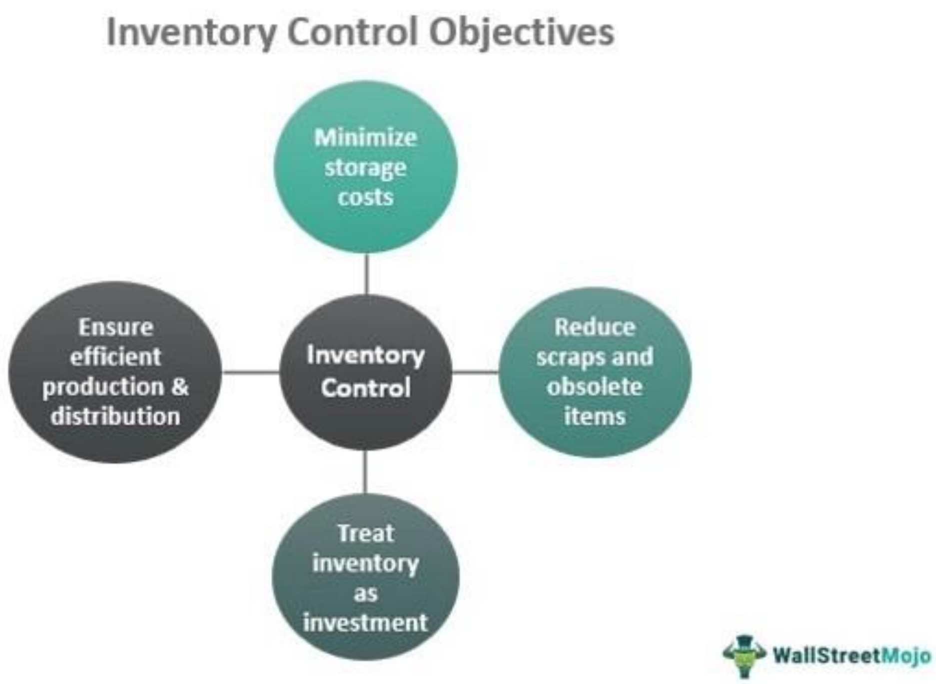
Inventory Control Types

The **inventory control system** is broadly classified as – periodic and perpetual. The **periodic inventory system** involves regular manual counting of the stocks in the warehouse. There is no software product or inventory scanning procedure to be followed here. The businesses do not record the volume daily or frequently but have **accounting periods** decided beforehand to track the same. The tracking can be done based on either First In, First Out (FIFO) or Last In, First Out (LIFO) stocks.

The **perpetual inventory system** is the automated control system to keep track of the stocks. Organizations require equipment and software to implement this system of controlling inventory. They record the number of stocks coming in and going out efficiently through this system with minimal or no chances of error as no process is manual. The recording or tracking is facilitated using several technologies to ensure no mistake is committed while reflecting the quantity and prices of the stocks being moved in and out.

Firms have a barcode system, which is applicable for periodic and perpetual inventory control systems. A barcode is a picture with text or numbers unique for every item in the inventory. Scanning the barcode helps the systems and devices read the details and transfer the same to the centralized database. In short, the barcode feature updates the item information automatically in the system.

Similarly, firms use Radio Frequency Identification (RFID) tags to track inventory smartly. Any movement of the stocks transfers the information stored in the electronic form to the database. This equipment can store more information than barcodes. The RFID tags are active in batteries and other devices that the manufacturing business units may use.



Pricing Strategy Basics of Visual Merchandising

A retailer must price merchandise in a way that besides satisfying the customers, achieves profitability for the firm. Pricing is a crucial exercise due to its direct relationship with a firm's goals and its interaction with other retailing matters. A pricing policy, if not appropriate, send a store out of competition.

A pricing strategy must be consistent over a period of time and consider retailer's overall positioning, profits, sales and appropriate rate of return on investment. Lowest price does not necessarily be the best price, but the lowest responsible price is the best right price. The difference between price and cost is profit which can be very high when the sales person wants to exploit an urgent situation.

The Consumer and Retail Pricing:

Retailers should understand the importance of pricing because it has direct relation with consumer purchases and perceptions. During pricing decisions, retailers should also under the price elasticity of customers to price changes in terms of the quantities bought.

$$\text{Elasticity} = \frac{\dfrac{\text{Quantity 1} - \text{Quantity 2}}{\text{Quantity 1} + \text{Quantity 2}}}{\dfrac{\text{Price 1} - \text{Price 2}}{\text{Price 1} + \text{Price 2}}}$$

If relatively small percentage change in price results in substantial percentage changes in the number of articles purchased, price elasticity will be high. This is the situation where the urgency to purchase is low or substitutes are well available. If large percentage changes in price have small percentage changes in the number of articles purchased, demand is considered to be inelastic.

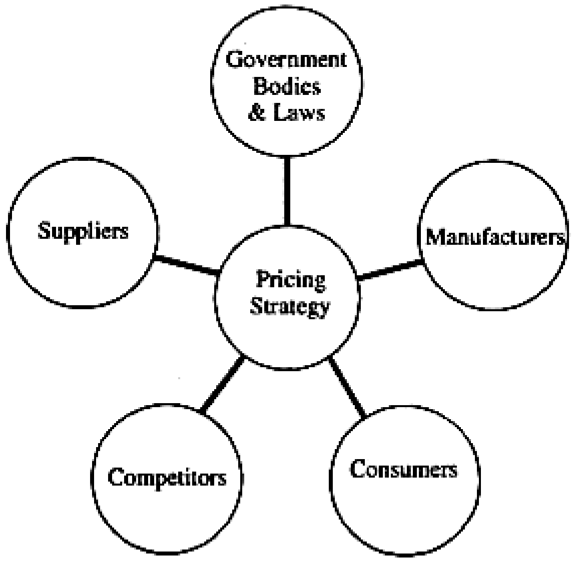
This is the situation where purchase urgency is high and substitutes are not easily available. The formula to compute price elasticity is given below. The price elasticity is calculated by dividing the percentage change in the quality demanded by the percentage change in the price charged. Because in retail market sales usually decline as prices go up, elasticity tends to be on negative side.

Factors Affecting Retail Price Strategy:

Following factors have direct or indirect influence on retail pricing. Three are usually basic pricing options before a retailer. Each has its own merits and demerits.

These are as follows:

Figure 13.1: Factors Affecting Retail Price



Pricing Options:

(i) Predatory Pricing:

It involves large retailers that normally seek to produce competition by selling merchandise at very low prices and create the situation where it becomes difficult for small retailers to stay.

(ii) Prestige pricing:
It assumes that customers will not buy merchandise displayed if price fixed are too low. It is based on the price-quality association.

(iii) Price lining:
A pricing practice where by retailers sell merchandise at a limited rate/limited range of price points, where each point represents a different level of quality.

Pricing Objectives:
Pricing objectives are generally considered as part of the general business strategy and give direction to the retail pricing process. While deciding on pricing objectives, a retailer must understand that pricing strategy must reflect the retailer's overall goals that can be stated in terms of profit and sales.

Usually, while setting the price, the firm may aim at one or more of the following objectives:
(i) Achieving pre-determined return on investment (ROI)

(ii) Building company's image, goodwill and brand's name

(iii) Building sustainable competitive advantage

(iv) Creating curiosity and interest about goods and services

(v) Creating store traffic

(vi) Early recovery of cash

(vii) Having price leadership

(viii) Increasing company' growth

(ix) Increasing market share

(x) Increasing rupee sales

(xi) Justifying social responsibility of business

(xii) Making the newcomers' entry in the industry difficult

(xiii) Matching with competitors' prices

(xiv) Maximizing long-term profit volume

(xv) Maximizing short-term profit volume

(xvi) Partial Cost Recovery

(xvii) Providing ample customer service

(xviii) Quality Leadership

(xix) Stabilization of prices and margin

(xx)Survival

(xxi) Avoiding government intervention of any kind

Types of Pricing:

(i) Horizontal pricing:

This practice involves agreements among manufacturers, wholesalers, retailers to set certain prices. These agreements usually are illegal under Indian sales act.

(ii) Vertical Price Fixing:

A practice where manufacturers or wholesalers seek to control the retail prices of their merchandise through some sort of agreements.

(iii) Price Discrimination:

A pricing practice where different prices are charged from different retailers for the same merchandise and same quality.

(iv) Minimum Price Laws:

These laws prevent retailers from selling certain items for less than their cost plus a fixed percentage to cover overhead.

(v) Unit Pricing:

The objective of such legislation is to let the customers compare the prices of product available in many sizes. For instance, Food and Grocery stores must express both the total price of an item and its price per unit of measure.

(vi) Item Price Removal:

A pricing practice whereby prices are marked only on shelves or signs and not on individual item.

Retail Store site and design

Retail store layout, also referred to as store design or layout design, is a term used for the way retailers set up product displays, fixtures, and merchandise in-store.

There's no right or wrong way to lay out your store, but it's important to focus on your target market, your space, and the types of products you sell to come up with a retail store layout that works for your business.

Store design is the architectural character or decorative **style of a retail store** that conveys to the customer "what the store is all about." Retail stores vary so much in kind, size, and geographical location that it is difficult to generalize about design. The architecture of the store's exterior creates an initial impression. For example, if a retailer chooses to remodel an older Victorian home, the customer will get a different impression from that of a store in the mall.

General Requirements in Retail Store Design

1. Customer Focus

The focus of a retail **store design** should always be the customer. If the store design and layout are appealing the customer will from an image that is also appealing. It is easy to get into the technical aspects of store design and forget that the retailer's reason for existence is the customer. The design should be focused on forming and maintaining an image, while at the same time making the layout as accessible as possible for shoppers. Research should determine the needs, habits, and buying potential of the shoppers in the area and the need for store service and overall general customer comfort. Management must then determine the overall image that would best differentiate the store and attract the target market.

2. Store Image

A comprehensive plan would include a process for community obtaining customer feedback regarding improvements and for continuously updating the design to reflect changing customer needs wants. A store design serves two, often opposing, functions. First, and foremost, the design serves the functional purposes of protecting, enclosing, and displaying merchandise, while at the same time serving as a central location where customers can find the merchandise that they seek during convenient times. The second purpose relates to the symbolic needs of the customer. This includes the social aspects of shopping or owning a particular good from a particular store. The symbolic aspects of the store are anything that contributes to the overall store image. This may include environmental aspects, such as store atmosphere, or physical aspects, such as brand name products. When customers enter a store, they want the displays and departments to tell them what the store is all about. The image the store is attempting to project should be immediately obvious to potential customers. If the store wants price as the predominant image, departments emphasizing this aspect should be placed near the entrance. Managers should give the best space to the departments that say to the customer, "This is what I am".

3. Holistic Approach

A **retail store design** should match the store's character. This means that consideration should be given to the type of store image the merchant hopes to project. It includes exterior design and interior arrangements for selling and non-selling activities. In addition, the design should match with that of other stores around it; it should also enhance the scalability of the merchandise within the store and be in good taste. The store design should have a single theme or image throughout. Attempts to create several images often greater competition. This is because the retailer is no longer competing against stores within a single image category, but instead with stores in several categories.

4. Technology and Planning

Store designs are becoming more complex as new formats evolve. For this and efficiency reasons, it is becoming more common to rely on technology to assist in developing a store layout design. Computer Aided Design (CAD) helps to plan stores that more space-efficient. Planning can be done quickly and changes are easy to make. In the store itself, new combinations of interactive and multimedia technologies will change the way retailers design for direct customer contact and information assistance. For example, a self-service concept store may be developed where kiosks replace sales associates, providing product information and updates on availability of merchandise. Retailers will likewise be exploring creative linkages between participation in electronic home shopping channels and in-store selling. Through the use of interactive technologies, consumers will be able to view merchandise choices at home, make product selections, and conclude the purchase transaction. They will be able to choose whether to wait and receive their purchases through transportation carriers or to proceed directly to the retailer's store or depot where the merchandise will be ready for pickup.

Why is retail store design so important?

Retail store design is important because it's the first and most fundamental way you interact with in-store customers. Here are some of the ways your retail store design choices can impact your desired KPIs:

- **Revenue:** We've all been there: You headed into a store with just one item on your list, and ended up leaving with a cart full of goods you didn't know you needed. Customers make about 4 out of 5 shopping decisions *while they're in the store*, so the choice of which goods you show shoppers, when, and how, can make a huge difference on how much they spend.
- **Customer retention:** Put simply, good retail store design is one of the best ways to make it easy and satisfying to shop in your store — and bad retail

store design is one of the best ways to turn off potential customers. How satisfied customers feel with your store after shopping there plays a big role in how likely they are to come back.

- **Brand identity:** Social media engagement, email outreach, and loyalty programs can each make a strong impression on current and potential customers, but there's no stronger way to show off what makes your business tick than by immersing customers in a carefully crafted retail experience.

5 tips for making good retail store design

Now that we've established what retail store design is and why it's such an essential component of retail planning, it's time to lay out a solid foundation for your own. These five tips will help you get started.

Find the best store layout for your business

While the individual implementation of retail store designs will vary based on the amount of space and type of location you have, it's a good idea to apply a consistent, overarching philosophy to your spaces. But which should you pick? Racetrack? Grid? Free form? Each has its own benefits and drawbacks, and our guide to store layout will help you find the best approach to meet your goals.

Use the right tools

Once you have an overall plan for your retail store design in mind, it's time to get into the specifics — how will you use an existing space, or if you're constructing an all-new location, how will you make the most of the possibilities ahead? Fortunately, you don't have to do it all by hand. Store layout maker tools help automate many of the fiddly details of laying out your vision, and many come with handy templates that will give you a HeadStart toward creating the retail map.

Use color psychology

While it's natural to start with the concrete form of a place, don't let your choice of color only come as an afterthought. Instead, think about how the effects that colors are known to have on the psyche can be used to your business' benefit; for example, red elements command attention but shouldn't be overused at the risk of causing strain, while yellow is associated with feelings of self-esteem and creativity.

Don't overlook window displays

Stores have been enticing customers by displaying products in their front windows for centuries, but that doesn't mean the practice is out of date. For businesses in areas with strong foot traffic, a tempting window display can be an excellent means of attracting passers-by. Even if your store is further from foot traffic and more of a destination of its own, using window space and the initial decompression zone to inform customers of current promotions and hot items gives you one last chance to shape their retail journey before it begins.

Change up key elements frequently

Novelty is a powerful means of directing attention, but overhauling your entire store interior every few months probably isn't a practical solution. Instead, prioritize choices early in the design process that will make it easy to implement high-impact visual changes with a minimum of employee effort. Ensuring that customers still know how to get around the store even as novel changes to the space help retain their interest is a worthwhile balancing act.

Image Mix

In the context of retailing, "image mix" could refer to the combination or assortment of images used for various purposes within the retail environment. These images are strategically chosen to convey a specific brand identity, engage customers, and enhance the overall shopping experience.

Image Mix

Let's now take a look at the components of the **retail mix** that are ultimately the pieces of the retailer's strategy.

1. Price

What is my pricing strategy? What is my markup strategy and how does that affect my overall retail price? You must make sure you calculate your retail price based on the markup you receive and not the costs involved. You also want to think about profitability and relate this back to the goals of your area as well as your organization.

2. Promotion

What promotional tools will you use to influence the consumer's purchase decision and, overall, their intention to purchase? This is where you also want to make sure you include a budget that shows where resources are allocated as well as a time table for the promotional activities. Remember to include specific examples of your proposed promotional activities. Some examples include online promotions, print advertising, and any television advertising.

3. Place

What are the hours of operation for your store? How many employees do you need and when do you need them? This is where you can also include a general description of the responsibilities of each associate along with some type of detailed info on the organization's structure. This could also be dependent upon the area in which you are located as well as the needs of the customer.

4. Product

What type of product do you intend to carry? What is the depth (how much you will carry of an item) as well as the breadth (number of SKUs) you will carry in your assortment? What is your anticipated turn as well as inventory levels? Later we will discuss in more detail the importance of inventory turnover and how it contributes to profitability. This is where you want to make sure you have adequate inventory levels to meet customer demand. Too much product could lead to excessive markdowns which deteriorates profitability while too little desired merchandise might lead to missed sales opportunities. Does your product meet your customer's needs?

5. Presentation

Will you have a free-standing location? Will you be located in the mall? How is the location you have chosen a good fit for your target market? It is during this time you will also want to provide a thorough trade analysis that shows the population in the area and how they are a good fit for your business.

6. Personnel

How are you selling to your customers? What kind of internal marketing supports your sales team? What are the graphics that set your store apart? What does the signage look like inside and outside of your store? These are all key elements you want to consider.

For the final segment of this section let's take a look at how we the retailer can take the one element of the mix (product) and transform it into a customer experience as well as why this is important.

Store Exterior and Interior

The design of a store's exterior and interior plays a crucial role in attracting customers, creating a positive shopping experience, and reinforcing the brand image. Here are key considerations for both the store exterior and interior:

Store Exterior:

1. Storefront Design:
 - **Branding:** Clearly display the store name, logo, and any key branding elements on the storefront to enhance brand visibility.
 - **Window Displays:** Create visually appealing window displays to showcase featured products and entice passersby.

2. Entrance Design:
 - **Inviting Entrance:** Ensure that the entrance is welcoming and well-lit, with clear signage indicating store hours and any ongoing promotions.
 - **Accessibility:** Make the entrance accessible to all customers, including those with disabilities.

3. Exterior Lighting:
 - **Illumination:** Use appropriate lighting to highlight architectural features, signage, and window displays, creating an inviting atmosphere during both day and night.

4. Landscaping:
 - **Greenery:** Incorporate landscaping elements such as plants or flowers to add a touch of greenery and enhance curb appeal.
 - **Cleanliness:** Maintain the exterior cleanliness, including sidewalks and entry areas.

5. Signage:
 - **Clear Signage:** Install clear and visible signage that is consistent with the brand identity. Ensure that the store name and logo are easily readable from a distance.

6. Store Architecture:
 - **Design Aesthetics:** Align the architectural design with the brand image, considering factors such as modernity, tradition, or a unique theme that represents the store's identity.

7. Parking and Accessibility:
 - **Convenient Parking:** If applicable, provide convenient parking spaces for customers, ensuring easy access to the store.
 - **ADA Compliance:** Ensure that the exterior design is in compliance with accessibility standards.

Store Interior:

1. Store Layout:
- **Logical Flow:** Create a logical and intuitive store layout that guides customers through merchandise zones and encourages exploration.
- **High-Traffic Areas:** Position high-margin or promotional items in high-traffic areas to maximize visibility.

2. Visual Merchandising:
- **Planogram:** Use a planogram to strategically arrange merchandise on shelves and displays for visual appeal and easy navigation.
- **Highlight Products:** Showcase key products or promotions with well-designed displays.

3. Lighting:
- **Ambiance:** Utilize lighting to create a pleasant and well-lit atmosphere, with a focus on highlighting key areas and products.
- **Color Temperature:** Consider the color temperature of lighting to influence the mood within different sections of the store.

4. Fixtures and Displays:
- **Modular Fixtures:** Use modular fixtures that allow for flexibility in changing the store layout based on seasonal changes or promotions.
- **Display Height:** Vary the height of displays to create visual interest and make the store more engaging.

5. Checkout and Service Areas:
- **Efficiency:** Design efficient checkout and service areas with sufficient space for customer transactions and employee interactions.
- **Impulse Items:** Include strategically placed displays for small, high-margin items near checkout counters.

6. Technology Integration:
- **Digital Signage:** Incorporate digital signage for dynamic content, including promotions, product information, and branding messages.
- **Point-of-Sale Systems:** Implement modern and efficient POS systems for smooth transactions.

7. Branding Elements:
- **Consistent Branding:** Maintain a consistent brand identity through the use of colors, logos, and other branding elements within the store.
- **Incorporate Brand Story:** Use interior design elements to tell the brand's story and connect with customers on an emotional level.

8. Aesthetics and Ambiance:

- **Interior Design Elements:** Pay attention to interior design elements such as flooring, wall treatments, and decor to create a cohesive and appealing aesthetic.
- **Music and Scent:** Consider incorporating background music and subtle scents to enhance the overall ambiance.

9. Customer Comfort:
- **Seating Areas:** Include comfortable seating areas for customers to rest or try out products.
- **Temperature Control:** Ensure that the store maintains a comfortable temperature.

10. Safety and Security:
- **Surveillance:** Implement adequate security measures, including surveillance cameras, to protect both merchandise and customers.
- **Emergency Exits:** Clearly mark emergency exits and ensure they are easily accessible.

11. Interactive Elements:
- **Interactive Displays:** Incorporate interactive displays or digital kiosks that engage customers and provide additional product information.

By carefully planning and implementing a cohesive design for both the store exterior and interior, retailers can create a memorable and enjoyable shopping experience that resonates with customers and supports the overall success of the business.

Color blocking

Color blocking in retail involves the strategic use of solid blocks of contrasting or complementary colors to create visually appealing and attention-grabbing displays, store layouts, and overall merchandising strategies. This technique is often used to enhance the visual impact of products, draw attention to specific areas of the store, and create a cohesive and aesthetically pleasing environment.

Colour blocking is the use of colour to support merchandising of products. It is an effective weapon that visual merchandisers can use to improve the way products are displayed.

Color Blocking is the merchandising methodology that uses color coordination to improve the visual aesthetics of the product displays and encourage store walk-ins and sales. Though the perceptions of color are subjective, some color effects have universal meaning. For example, colors in red spectrum are known to evoke feelings of warmth, spicy and comfort whereas colors on the blue spectrum are known as smoothening or calm colors.

Planograms help to design your color blocking strategies and get the right visual schematic before implementation.

Left to Right Rule

Another important factor to consider is the eye-scanning pattern. As people prefer dark colors during winter, placing products with darker shades on the left and lighter shades towards right side has found to yield better results. As the natural eye-scanning pattern is from left to right, the darker shades on the left act as the anchor to entice customers. During summer, the reverse order has found to yield better sales

Top to bottom rule

Color blocking rule for top to bottom rule is placing light color products on the top and darker shades towards the bottom. Unlike the left to right rule, top to bottom rule is usually followed round the year.

Color Emotions

We live and shop in a customer experience economy where the very idea of physical store has changed. Customers won't necessarily buy from you just because you have a great product and a big store. Customer are looking for emotion connections and personalized experience. Colors have the power to set the tone for customer experience, grab customer's attention and inspire different emotions.

Apart from the universal meaning, certain colors can evoke different meanings based on your store's location, traditional values of that region and other factors. Choosing the right color for your merchandising can enable your store to stand out from the crowd than blending into it.

Use colors strategically and let your customers see what you want them to see and help them to perceive your store and products the way you aim to be perceived.

What is a Signage?

Any visual representation which gives information to the customers about a store, any office, building, street, park and so on is called a signage.

Signage helps the customers to easily reach their desired destination or locate a building by simply following the instructions displayed on it.

Importance of Signage:

1. Communication:

- **Information:** Signage communicates essential information to customers, such as product details, prices, promotions, and directions within the store.

- **Branding:** It reinforces brand identity and helps customers recognize and connect with the store.

2. Navigation:

- **Wayfinding:** Signage assists customers in navigating the store, directing them to different sections, aisles, and key areas.

- **Aisle Markers:** Clearly visible aisle markers with appropriate signage help customers locate products efficiently.

3. Promotion:

- **Sales and Promotions:** Signage promotes sales, discounts, and special offers, encouraging customers to take advantage of deals.

- **Product Highlights:** Feature signage draws attention to specific products or collections.

4. Safety and Compliance:

- **Safety Information:** Signage communicates safety instructions and information, such as emergency exits, no-entry zones, and COVID-19 safety measures.

- **Compliance:** It ensures that the store complies with regulations and standards, including ADA (Americans with Disabilities Act) requirements.

5. Enhancing Customer Experience:

- **Interactive Displays:** Digital signage or interactive displays engage customers, providing an immersive and informative shopping experience.

- **Inspirational Content:** Inspirational or lifestyle signage enhances the overall atmosphere and experience in the store.

Types of Signage Material:

1. Paper:

- **Printed Posters:** Traditional printed posters are cost-effective and versatile for various promotional messages.

- **Banners:** Durable paper banners can be used for temporary or seasonal promotions.

2. Vinyl:

- **Vinyl Banners:** Durable and weather-resistant, vinyl banners are suitable for both indoor and outdoor use.

- **Vinyl Decals:** Adhesive vinyl decals can be applied to windows, walls, or floor surfaces for branding and promotions.

3. Acrylic:

- **Acrylic Signs:** Clear or colored acrylic signs provide a sleek and modern look, often used for directional or informational purposes.

- **Backlit Signs:** Illuminated acrylic signs enhance visibility, especially in low-light conditions.

4. Metal:

- **Aluminum Signs:** Lightweight and durable, aluminum signs are suitable for both indoor and outdoor use.

- **Brushed Metal Signs:** Create a premium look with brushed metal signs for high-end branding.

5. Wood:

- **Wooden Signs:** Wooden signage adds a rustic or natural element, suitable for certain branding styles.

- **Chalkboards:** Use chalkboard signs for customizable and trendy messaging.

6. Fabric:

- **Fabric Banners:** Lightweight and versatile, fabric banners can be used for decorative purposes or temporary promotions.

- **Fabric Flags:** Ideal for outdoor events and promotions, fabric flags are eye-catching and easily customizable.

7. Digital:

- **LED Screens:** Digital signage with LED screens allows for dynamic content and real-time updates.

- **Interactive Displays:** Touchscreen displays provide an interactive experience, enabling customers to engage with content.

Considerations for Effective Signage:

1. Visibility:

- Ensure that signage is easily visible from various angles and distances within the store.
- Use appropriate font sizes and contrasting colors for readability.

2. Consistency:

- Maintain a consistent design and color scheme across all signage for a cohesive look.
- Align signage with the overall brand identity.

3. Placement:

- Position signage strategically to guide customers through the store flow and draw attention to key areas.
- Consider eye-level placement for critical information.

4. Durability:

- Choose signage materials that are durable and suitable for the intended use, especially for outdoor or high-traffic areas.

- Regularly check and replace worn or damaged signage.

5. Compliance:

- Ensure that signage complies with local regulations and accessibility standards.

- Provide clear and accurate information to avoid confusion.

6. Innovation:

- Explore innovative signage options, such as digital displays or interactive elements, to enhance the customer experience.

- Stay updated with emerging trends in retail signage.

Understanding Material Planograms:

A material planogram is a visual representation or diagram that outlines the placement and arrangement of different materials and fixtures within a retail space. It provides a detailed plan for organizing products and promotional materials on shelves, displays, and other fixtures. Here are key elements of understanding material planograms:

1. Layout and Placement:

- A material planogram details the layout of the retail space, specifying where different materials, products, and displays should be placed.

- It includes information on shelf heights, spacing, and the arrangement of fixtures.

2. Product Placement:

- Specifies the placement of products on shelves or displays, ensuring an organized and visually appealing presentation.

- Takes into account factors such as product categories, sizes, and promotional priorities.

3. Visual Merchandising:

- Incorporates principles of visual merchandising to create an attractive and enticing display for customers.

- Considers color coordination, product grouping, and the overall aesthetic of the display.

4. Seasonal and Promotional Changes:

- Allows for flexibility to accommodate seasonal changes, promotions, and new product launches.

- Provides a framework for updating displays to reflect current marketing initiatives.

5. Inventory Management:

- Supports efficient inventory management by optimizing product placement and ensuring proper stock levels.
- Facilitates easy restocking and reduces the risk of overstocking or understocking.

6. Customer Flow:

- Considers the flow of customer traffic within the store, guiding customers through a visually engaging journey.
- Encourages exploration and discovery of different product categories.

7. Planogram Software:

- Utilizes planogram software for creating and visualizing the planogram.
- Allows for easy adjustments, updates, and collaboration among merchandising teams.

8. Communication Tool:

- Serves as a communication tool for the merchandising team, ensuring that everyone follows a consistent layout and presentation strategy.
- Provides clear instructions for store staff responsible for implementing the planogram.

9. Performance Tracking:

- Supports performance tracking by providing a baseline for measuring the effectiveness of different product placements and visual merchandising strategies.
- Allows for data-driven adjustments based on customer response and sales data.

10. Compliance and Standards:

- Ensures compliance with brand standards and guidelines in terms of product presentation and store aesthetics.
- Incorporates merchandising best practices to enhance the overall customer experience.

In summary, both effective signage and material planograms are essential elements in retail merchandising. Signage communicates information, enhances the shopping experience, and reinforces brand identity, while material planograms guide the organization and presentation of products within the retail space. Together, they contribute to a well-organized.

UNIT 3

E-Retailing: Introduction

E-retailing, short for electronic retailing, refers to the practice of selling goods and services to consumers over the internet. Also known as online retailing or e-commerce, e-retailing leverages digital platforms and technology to facilitate transactions between businesses and consumers. This form of retailing has gained tremendous popularity with the widespread adoption of the internet and the increasing preference for online shopping. Here's an introduction to key aspects of e-retailing:

Key Components of E-Retailing:

1. Online Platforms:
   - E-retailing primarily takes place on dedicated online platforms, such as websites and mobile applications. These platforms serve as virtual storefronts where customers can browse products, make purchases, and interact with the brand.

2. Digital Payment Systems:
   - E-retailing relies on digital payment systems to facilitate secure online transactions. Common payment methods include credit cards, debit cards, digital wallets, and other electronic payment options.

3. Electronic Catalogs:
   - Product information is presented through electronic catalogs on e-retail platforms. Customers can view detailed product descriptions, images, specifications, and pricing information before making a purchase.

4. E-Commerce Websites:
   - Retailers often establish dedicated e-commerce websites that showcase their product offerings and provide a seamless shopping experience. These websites are designed for user-friendly navigation and efficient online transactions.

5. Mobile Apps:
   - Many e-retailers offer mobile applications that allow users to shop conveniently from their smartphones or tablets. Mobile apps enhance accessibility and provide a personalized shopping experience.

6. Digital Marketing:
   - E-retailers use digital marketing strategies to drive online traffic, increase brand visibility, and attract potential customers. This includes tactics such as search engine optimization (SEO), social media marketing, email campaigns, and online advertising.

7. Order Fulfillment:

- Efficient order fulfillment processes are crucial in e-retailing. This involves inventory management, order processing, packaging, and shipping to ensure timely delivery of products to customers.

8. Customer Relationship Management (CRM):
 - CRM systems are employed to manage and nurture customer relationships. E-retailers use customer data to personalize interactions, offer targeted promotions, and enhance overall customer satisfaction.

9. Security Measures:
 - E-retailers implement robust security measures to protect customer information and ensure secure online transactions. This includes encryption technologies, secure payment gateways, and adherence to data protection regulations.

10. Reviews and Ratings:
 - Customer reviews and ratings play a significant role in e-retailing. They provide valuable feedback for both retailers and potential customers, influencing purchasing decisions and building trust in the online shopping experience.

Advantages of E-Retailing:

1. Global Reach:
 - E-retailing allows businesses to reach a global audience without the constraints of physical locations, expanding market reach and potential customer base.

2. Convenience:
 - Customers can shop anytime, anywhere, providing unparalleled convenience. E-retailing eliminates the need for physical travel and allows for 24/7 accessibility.

3. Personalization:
 - E-retail platforms can leverage customer data to personalize the shopping experience, offering tailored product recommendations, promotions, and content.

4. Cost Savings:
 - For businesses, e-retailing can reduce overhead costs associated with maintaining physical stores. For consumers, it may result in cost savings due to online discounts and promotions.

5. Efficiency and Accessibility:
 - Online platforms provide efficient and accessible ways for customers to find, compare, and purchase products. Search functions, filters, and intuitive navigation enhance the overall shopping experience.

6. Data Analytics:

- E-retailers can leverage data analytics to gain insights into customer behavior, preferences, and trends, enabling informed decision-making and targeted marketing strategies.

7. Flexibility:
- E-retailing offers flexibility for both businesses and consumers. Businesses can adapt quickly to changing market conditions, and consumers have the flexibility to browse and shop at their own pace.

8. Diverse Product Offerings:
- E-retailing provides access to a diverse range of products from various sellers, often beyond what is available in local physical stores.

Challenges and Considerations:

1. Cybersecurity Risks:
- E-retailing faces cybersecurity challenges, including the risk of data breaches, phishing attacks, and online fraud. Robust security measures are essential to protect customer information.

2. Logistics and Shipping:
- Efficient logistics and shipping operations are critical to ensuring timely delivery and customer satisfaction. Challenges include managing inventory, coordinating shipments, and addressing returns.

3. Competition:
- The online retail landscape is highly competitive, requiring e-retailers to differentiate themselves through innovative strategies, customer service, and unique offerings.

4. Customer Trust:
- Building and maintaining customer trust is crucial in e-retailing. This involves transparent business practices, reliable product information, and responsive customer support.

5. Technological Advancements:
- E-retailers need to stay abreast of technological advancements to remain competitive. This includes adopting new technologies, optimizing websites for mobile devices, and embracing innovations like augmented reality for virtual try-ons.

6. Regulatory Compliance:
- E-retailers must comply with relevant regulations and standards, including consumer protection laws, data privacy regulations, and e-commerce taxation policies.

7. User Experience:

- Providing a seamless and positive user experience is essential in e-retailing. This includes easy navigation, quick load times, and responsive customer support.

8. Returns and Refunds:

- Managing returns and refunds poses logistical and operational challenges. E-retailers need effective processes for handling returns and ensuring customer satisfaction.

What is e-commerce?

E-commerce (electronic commerce) is the buying and selling of goods and services, or the transmitting of funds or data, over an electronic network, primarily the internet. These business transactions occur either as business-to-business (B2B), business-to-consumer (B2C), consumer-to-consumer or consumer-to-business.

The terms e-commerce and e-business are often used interchangeably. The term e-tail is also sometimes used in reference to the transactional processes that make up online retail shopping.

Ecommerce is one way people buy and sell things in retail. Some companies sell products online only, while other sellers use ecommerce as a part of a broader strategy that includes physical stores and other distribution channels. Either way, ecommerce allows startups, small businesses, and large companies to sell products at scale and reach customers across the world.

Advantages of E-Commerce

- E-commerce provides the sellers with a global reach. They remove the barrier of place (geography). Now sellers and buyers can meet in the virtual world, without the hindrance of location.
- Electronic commerce will substantially lower the transaction cost. It eliminates many fixed costs of maintaining brick and mortar shops. This allows the companies to enjoy a much higher margin of profit.
- It provides quick delivery of goods with very little effort on part of the customer. Customer complaints are also addressed quickly. It also saves time, energy and effort for both the consumers and the company.
- One other great advantage is the convenience it offers. A customer can shop 24×7. The website is functional at all times, it does not have working hours like a shop.

- Electronic commerce also allows the customer and the business to be in touch directly, without any intermediaries. This allows for quick communication and transactions. It also gives a valuable personal touch.

Disadvantages of E-Commerce

- The start-up costs of the e-commerce portal are very high. The setup of the hardware and the software, the training cost of employees, the constant maintenance and upkeep are all quite expensive.
- Although it may seem like a sure thing, the e-commerce industry has a high risk of failure. Many companies riding the dot-com wave of the 2000s have failed miserably. The high risk of failure remains even today.
- At times, e-commerce can feel impersonal. So it lacks the warmth of an interpersonal relationship which is important for many brands and products. This lack of a personal touch can be a disadvantage for many types of services and products like interior designing or the jewelry business.
- Security is another area of concern. Only recently, we have witnessed many security breaches where the information of the customers was stolen. Credit card theft, identity theft etc. remain big concerns with the customers.
- Then there are also fulfillment problems. Even after the order is placed there can be problems with shipping, delivery, mix-ups etc. This leaves the customers unhappy and dissatisfied.

E-Business:
Definition:
- E-business, or electronic business, encompasses a broader range of online activities beyond buying and selling. It involves the use of electronic technologies to conduct business processes, including communication, collaboration, and transactions.

Components of E-Business:
- **E-Commerce:** The buying and selling of goods and services online.
- **E-Banking:** Online banking services, including transactions, account management, and digital payments.
- **E-Procurement:** Online purchasing of goods and services for business needs.
- **E-Collaboration:** Digital tools and platforms for collaboration and communication within and between businesses.
- **E-CRM (Customer Relationship Management):** Managing customer relationships through electronic means, often involving data analytics and personalized communication.

Benefits of E-Business:

- **Global Reach:** E-business enables organizations to reach a global audience without geographical constraints.
- **Cost Efficiency:** Streamlined processes and reduced operational costs through automation and digital tools.
- **Improved Customer Interaction:** Enhanced customer interactions through online platforms, social media, and personalized communication.
- **Efficient Supply Chain Management:** Better coordination and efficiency in supply chain processes.

Challenges of E-Business:

- **Security Concerns:** E-business faces cybersecurity threats, including data breaches and online fraud.
- **Technology Dependence:** Reliance on technology exposes businesses to challenges related to system failures and technical issues.
- **Resistance to Change:** Internal resistance to adopting digital processes and cultural shifts within organizations.
- **Regulatory Compliance:** Adherence to evolving regulations and compliance standards.

E-Marketing (Electronic Marketing):

Definition:

- E-marketing, or electronic marketing, refers to the use of digital channels and technologies to promote products or services. It includes various online marketing strategies aimed at reaching and engaging target audiences.

Components of E-Marketing:

- **Social Media Marketing:** Promotion of products or services on social media platforms.
- **Content Marketing:** Creation and distribution of valuable content to attract and retain customers.
- **Email Marketing:** Sending targeted messages and promotions to a specific audience via email.
- **Search Engine Optimization (SEO):** Optimizing online content to improve visibility in search engine results.
- **Pay-Per-Click (PPC) Advertising:** Online advertising where advertisers pay a fee each time their ad is clicked.
- **Affiliate Marketing:** Collaborating with affiliates to promote products or services and earning a commission for each sale.

Evolution of E-Marketing:

- **Early Internet Marketing (1990s):** Basic online advertising through banner ads and email marketing.
- **Search Engine Optimization (2000s):** The rise of search engines led to a focus on optimizing content for better search visibility.
- **Social Media Marketing (2010s):** The emergence of social media platforms transformed marketing strategies, allowing businesses to engage with audiences directly.
- **Mobile Marketing and Apps (2010s):** The increasing use of smartphones led to a shift towards mobile-friendly content and app-based marketing.
- **Personalization and Data Analytics (Present):** Advanced data analytics and AI-driven personalization enable targeted and personalized marketing efforts.

Benefits of E-Marketing:

- **Global Reach:** E-marketing enables businesses to reach a wide and diverse audience globally.
- **Cost-Effectiveness:** Digital marketing often proves more cost-effective than traditional advertising methods.
- **Real-Time Analytics:** Marketers can access real-time data and analytics to measure the effectiveness of campaigns.
- **Targeted Advertising:** Precise targeting allows businesses to reach specific demographics and customer segments.

Challenges of E-Marketing:

- **Information Overload:** The abundance of online content can lead to information overload, making it challenging for businesses to stand out.
- **Privacy Concerns:** Increased scrutiny over data privacy raises concerns about how businesses collect and use customer data.
- **Rapid Technological Changes:** Keeping up with rapidly evolving technologies and platforms requires constant adaptation.
- **Competition:** Intense competition in the online space necessitates innovative strategies to differentiate brands.

Evolution of E-Commerce:

1. Early Development (1970s-1980s):

- The groundwork for e-commerce was laid with the development of electronic data interchange (EDI) systems for B2B transactions.

2. Emergence of Online Retail (1990s):

- The 1990s saw the rise of online retail giants like Amazon and eBay, paving the way for B2C e-commerce.

3. Dot-Com Boom (Late 1990s):

- The dot-com boom witnessed a surge in the number of e-commerce startups, with high expectations for online marketplaces.

4. Dot-Com Bust (Early 2000s):

- The dot-com bust led to the decline of many e-commerce startups, but established players like Amazon survived and continued to grow.

5. Mobile Commerce (2010s):

- The proliferation of smartphones led to the growth of mobile commerce, allowing consumers to shop on mobile devices.

6. Omnichannel Retailing (Present):

- E-commerce has evolved into omnichannel retailing, where businesses integrate online and offline channels for a seamless customer experience.

7. Technological Advancements (Present):

- The integration of technologies like artificial intelligence, augmented reality and virtual reality is reshaping the e-commerce landscape.

Key Elements	e-Commerce	Traditional Commerce
Value Creation	Information	Product or service
Strategy	Sense and respond Simple rules	Classical
Competitive Edge	High Speed	Quality and Cost
Competitive Force	Low barriers of entry Power of the customers	Product Substitution Power of the suppliers
Resource Focus	Demand Side	Supply Side
Customer Interface	Screen-to-face	Face-to-face
Communication	Technology-mediated channels	Personal
Accessibility	24x7	Limited time
Customer Interaction	Self service	Seller Influenced
Consumer Behavior	Personalization One-to-One market	Standardization Mass/One-way marketing
Promotion	Word of mouth	Merchandising
Product	Commodity	Perishables, feel & touch

What is an Infrastructure?

Infrastructures are systems needed by a business to operate smoothly. It is a key component of any business, as it ensures growth and sustainability.

This could be software such as operating systems, applications, and security tools, as well as hardware, such as servers, routers, etc.

It also includes the people, procedures, and guidelines that support the infrastructure.

What are Ecommerce Infrastructures?

Ecommerce infrastructures are hardware and software components required to operate and maintain an online store.

They are the foundation upon which ecommerce businesses are built, empowering businesses to sell their products and services over the internet.

They include the hardware, software, and services needed to manage online transactions and process orders.

Components of an Ecommerce Infrastructure

Below are some infrastructures all ecommerce businesses should have:

Web Servers

A web server is a hardware or software that stores data and communicates it to users through HTTP (Hyper Text Transfer Protocol) request. It is in charge of hosting websites, handling visitor requests, and supplying web page content.

Web servers use scripting languages like PHP, ASP, and JavaScript to generate dynamic web pages.

A web server in ecommerce is a computer that stores and serves web pages to users over the internet. They allow customers to access product information, view prices, and purchase goods.

Database Servers

A database server is a computer system that stores, manages, and retrieves data from a database. It is the backbone of an ecommerce system, as it hosts the databases used for online transactions and stores customer information.

It is also in charge of effectively managing the data's organization and security. Database servers also provide expansion, ensuring websites can handle large amounts of data.

Payment Processing System

A payment processing system is a system used to process financial transactions in an ecommerce system. It lets merchants receive payments from customers, securely process the payments, and transfer the funds to the merchant’s bank account.

This system is also part of the ecommerce functionality responsible for confirming clients’ identities and providing a secure platform for consumers to make their purchases.

This handles payments from different sources, such as debit and credit cards, PayPal, Apple Pay, and Google Pay.

Content Delivery Network (CDN)

A content delivery network (CDN) is a network of servers spread out across different locations. It provides online content to users based on their geographic location.

CDNs are used to improve website performance and deliver a better user experience. In ecommerce, CDNs are used to provide online content such as product photos, videos, and other information to customers faster.

Security and Fraud Prevention

Protecting ecommerce websites from cyber-attacks and fraudulent activities is important. To protect customers, use fraud protection technologies like SEON, Signifyd, Kount, Cybersource, and more.

For the safety and security of customers and their data, ecommerce security and fraud prevention are crucial.

Load Balancing

This is a process for distributing incoming traffic and requests across a group of servers. It helps to improve the performance of an ecommerce system. This gives no room for failure in the system and ensures the system can handle the increased demand from online shoppers.

It also helps to prevent any server from becoming overloaded with requests and also helps to improve customers' shopping experience.

Backup System

This is a system that stores data, such as customer information, routinely. It helps restore the system to the last saved state in the event of a system failure.

This ensures that the business can quickly and easily recover from any potential data loss. Backup systems can also be used to transfer data from one system to another, allowing for greater flexibility.

Customer Service

Customer service in ecommerce is providing support to customers before, during, and after a purchase. This helps customers find what they need, provides shipping and delivery info, and also resolves order issues. This is critical for any ecommerce business.

Inventory Management

This is the practice of tracking and controlling the inventory of a business’ product. It includes maintaining stock levels, ordering new products, and tracking sales. It is important to keep accurate records of inventory to ensure customer satisfaction and product availability.

Inventory management helps protects against loss due to theft or damage and can help identify areas of opportunity to improve efficiency.

Shopping Cart

This is more of an ecommerce feature than a component of an infrastructure. It allows customers to add products to their carts, views their orders, and check out. It is an essential part of any online shopping experience, as it enables customers to quickly and easily purchase products.

Item selection, item quantity adjustments, payment selection, and order submission are common features of cart functionality. This can easily be integrated with the help of ecommerce solutions like Medusa.

Shipping and Fulfillment

In ecommerce, shipping and fulfillment refer to the process of receiving, processing, and shipping orders to customers. It also includes shipping tracking and order fulfillment.

Shipping and fulfillment are vital for any online business to be successful. This makes sure customers get their orders quickly and are happy with them.

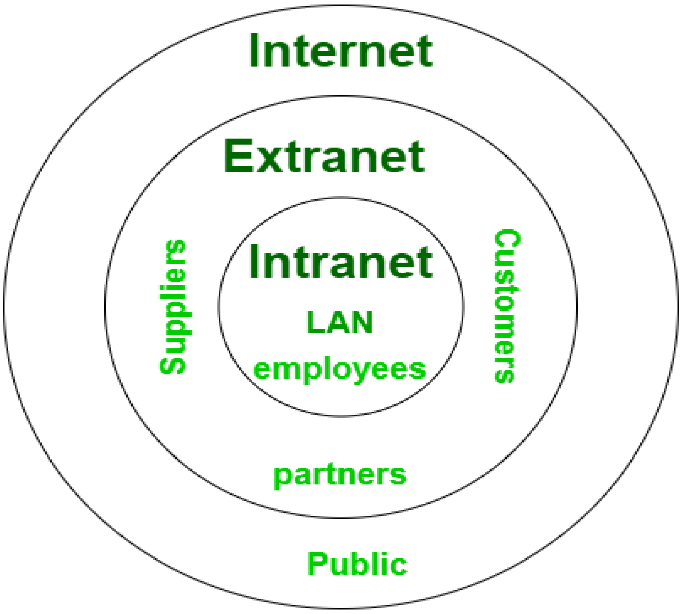
Some examples of providers that offer this service, ShipBob, ShipStation, Fulfillment by Amazon (FBA), Deliverr, etc.

1. Internet:

An Internet is a public network and it is not owned by anyone. Since, it is a public network therefore anyone can access it without a valid username and password. Internet is the largest network in the case of number of connected devices. In this, there are numerous users and it provides lots of information to users. It acts as a tool for sharing information all over the world.

2. Extranet:

Extranet is a private network and it is owned by a single or multiple organization. Since, it is a private network therefore no one can access it without a valid username and password. It acts as a medium to share the information between the internal and external members. It is more secure network and managed by numerous organizations.



PARAMETER	INTERNET	EXTRANET
Usage	Public	Private
User Types	Any user having dial up of Internet access line.	Suppliers, customer and Business partners.
Usage	Access all kind of information	Check status of orders, Access data , send email
Security	Low security. Configured under 0 security level in firewall	Generally uses VPN technology for secured communication over Internet. Medium security Level.
Regulated by	Internet Architecture Board (IAB): Oversees the technical and engineering development of the IETF and IRTF. Internet Corporation for Assigned Names and Numbers (ICANN).	It is regulated by multiple organization.
Ownership		It is owned by single/multiple organization.
Coverage	Wide Area	Within an organization
Access	Large number of users	Limited number of users

Most common applications of Ecommerce:

- Retail and Wholesale
  Ecommerce has numerous applications in this sector. E-retailing is basically a B2C, and in some cases, a B2B sale of goods and services through online stores designed using virtual shopping carts and electronic catalogs. A subset of retail ecommerce is m-commerce, or mobile commerce, wherein a consumer purchases goods and services using their mobile device through the mobile optimized site of the retailer. These retailers use the E-payment method: they accept payment through credit or debit cards, online wallets or internet banking, without printing paper invoices or receipts.
- Online Marketing
  This refers to the gathering of data about consumer behaviors, preferences, needs, buying patterns and so on. It helps marketing activities like fixing price, negotiating, enhancing product features, and building strong customer relationships as this data can be leveraged to provide customers a tailored and enhanced purchase experience.
- Finance
  Banks and other financial institutions are using e-commerce to a significant extent. Customers can check account balances, transfer money to other accounts held by them or others, pay bills through internet banking, pay insurance premiums, and so on. Individuals can also carry out trading in stocks online, and get information about stocks to trade in from websites that display news, charts, performance reports and analyst ratings of companies.
- Manufacturing
  Supply chain operations also use ecommerce; usually, a few companies form a group and create an electronic exchange and facilitate purchase and sale of goods, exchange of market information, back office information like inventory control, and so on. This enables the smooth flow of raw materials and finished products among the member companies and also with other businesses.
- Online Booking
  This is something almost every one of us has done at some time – book hotels, holidays, airline tickets, travel insurance, etc. These bookings and reservations are made possible through an internet booking engine or IBE. It is used the maximum by aviation, tour operations and hotel industry.
- Online Publishing
  This refers to the digital publication of books, magazines, catalogues, and developing digital libraries.

- Digital Advertising
  Online advertising uses the internet to deliver promotional material to consumers; it involves a publisher, and an advertiser. The advertiser provides the ads, and the publisher integrates ads into online content. Often there are creative agencies which create the ad and even help in the placement. Different types of ads include banner ads, social media ads, search engine marketing, retargeting, pop-up ads, and so on.
- Auctions
  Online auctions bring together numerous people from various geographical locations and enable trading of items at negotiated prices, implemented with e-commerce technologies. It enables more people to participate in auctions. Another example of auction is bidding for seats on an airline website – window seats, and those at the front with more leg room generally get sold at a premium, depending on how much a flyer is willing to pay.

  E-Commerce is all around us today, and as an entrepreneur, you should also get into this realm if you want to expand your markets, get more customers and increase your profitability.

Procurement-Online Marketing and Advertisement

Procurement in the context of online marketing and advertising involves the acquisition of goods and services necessary for implementing marketing campaigns, advertising initiatives, and promotional activities in the digital space. Here are key aspects and considerations related to procurement in online marketing and advertising:

1. Vendor Selection:
  - Identify and evaluate potential vendors or service providers for digital marketing and advertising solutions.
  - Consider factors such as expertise, reputation, pricing, and previous performance.

2. Digital Advertising Platforms:
  - Procure access to digital advertising platforms such as Google Ads, Facebook Ads, and other relevant platforms based on campaign objectives.
  - Negotiate terms and pricing for ad space and placements.

3. Ad Creative Services:
  - Procure services for ad creative development, including graphic design, copywriting, and multimedia content creation.
  - Consider agencies or freelancers with a proven track record in digital advertising creative.

4. Search Engine Optimization (SEO) Services:
 - Procure SEO services to optimize online content for search engines.
 - Evaluate vendors based on their understanding of SEO best practices and their ability to improve organic search visibility.

5. Social Media Management Tools:
 - Procure tools and platforms for social media management.
 - Consider features such as content scheduling, analytics, and community engagement.

6. Content Marketing Services:
 - Procure content marketing services for the creation and distribution of valuable and relevant content.
 - Ensure alignment with overall marketing strategy and target audience.

7. Email Marketing Solutions:
 - Procure email marketing platforms for campaign creation, automation, and analytics.
 - Consider features such as list management, A/B testing, and integration capabilities.

8. Data Analytics and Reporting Tools:
 - Procure analytics tools to measure the effectiveness of marketing campaigns.
 - Look for platforms that provide insights into key performance indicators (KPIs) and user behavior.

9. Programmatic Advertising Services:
 - Procure programmatic advertising services for automated ad buying and real-time bidding.
 - Evaluate providers based on their targeting capabilities and reach.

10. Affiliate Marketing Programs:
 - Procure affiliate marketing solutions to establish partnerships with affiliates for promotional purposes.
 - Define commission structures and performance metrics.

11. Market Research and Audience Insights:
 - Procure services for market research and audience insights.
 - Utilize data to inform marketing strategies and target the right audience segments.

12. Ad Verification and Fraud Prevention:

- Procure solutions for ad verification and fraud prevention to ensure the quality and authenticity of digital advertising.
- Protect against ad fraud and ensure brand safety.

13. Legal and Compliance Services:
- Procure legal services to ensure compliance with advertising regulations and data protection laws.
- Review contracts and agreements to safeguard the interests of the business.

14. Training and Skill Development:
- Invest in training programs to enhance the skills of the marketing team.
- Ensure that team members are well-versed in the latest digital marketing trends and tools.

15. Budget Management:
- Implement a procurement strategy that aligns with the overall marketing budget.
- Monitor and optimize spending to achieve maximum ROI.

Effective procurement practices in online marketing and advertising contribute to the success of digital campaigns, enhance brand visibility, and drive customer engagement. Regular evaluation of vendors and technologies ensures that the organization stays current with industry trends and remains competitive in the digital landscape.

E-Commerce-Business Models: B2B, B2C, C2C, B2 Government, Government to Government

Below picture shows the different types of e-commerce parties that can be involved in e-commerce. You notice the classic B2C, B2B one, but also C2C, C2B (web markets). And also variations where the government is one of the parties

From supplier of product or service **to**

Consumer of product or service	Consumer or civilian	Business or organisation	Government
Consumer or civilian	Consumer-to-Consumer (C2C)	Business-to-Consumer (B2C)	Government-to-Consumer (G2C)
Business, organisation	Consumer-to-Business (C2B)	Business-to-Business (B2B)	Government-to-Business (G2B)
Government	Consumer-to-Government (C2G)	Business-to-Government (B2G)	Government-to-Government (G2G)

Let's walk the different combinations:

Consumer-to-Consumer (C2C).

Auction websites such as www.eBay.be, www.2dehands.be, www.Kapaza.be., etc. where consumers can sell and buy products from each other. But also product recommendations (e.g.: https://www.theSIMPLEmoms.com) from consumer to consumer. Blogs, social networks and communities can also be considered C2C.

Business-to-Consumer (B2C)

In many cases the classic web shop selling to consumers (transactional). But that's not necessarily the case, e.g. the Kraft case with its relationship/brand building.

Government-to-Consumer (G2C).

Automated request processes enabling consumers to request a service from the local, the central government. E.g.: TaxonWeb, an application to enter your taxes from the Belgian government. Many communities have an "e-teller", removing the need for a physical visit to your town hall for many types of requests and documents.

Consumer-to-Business (C2B)

C2B is about an online exchange where consumers do themselves approach providers on the web.

- Prospective buyers name their own price and leave it to the provider to accept or reject the offer. Can be a group of buyers (co-buy sites) e.g. to get the best heating fuel offer.
- Consumer feedback can provide serious added value for an e-commerce site. A review is a powerful means to convince potential buyers. (customer review sites).
- Campaigns where consumers organize themselves to influence a business (behavior) (e.g. e-petition confronting BP, TEPCO (Fukushima nuclear plant operator)

Business-to-Business (B2B)

Setting up e-commerce towards your business customers can be a great trick to stimulate a lasting business relationship. Think of application domains such as wholesale, cloud service providers addressing the professional market, e.g. with SaaS ERP, CRM, mass e-mailing, business e-mail & collaboration, Online printers, Online accounting service provider, etc.. And of course all those "webshops" addressing the professional customers. Businesses such as BP or Dell have products that address both consumer and businesses. Different partitions of their website will be equipped to address those different target groups. Product offering will also typically differ. (e.g. more design styled consumer products compared to more robust business products).

Real life examples:

- MagCloud: B2B & B2C mix - an on demand magazine printing service. Magcloud is a B2B+B2C marketplace for on demand magazine printing: The B2B function is to offer a direct printing magazine functions. The magazine is printed on a digital printer on demand by individual order placed by consumers. So for the business wanting to publish a magazine, the issue of minimum printing run using classic printing is removed, as well as all risk of unsold stock
- MarketDojo: B2B reverse auction system. This is e-business sweets for your procurement department: the software and process to help you squeeze your suppliers to go for the lowest price possible.
- Dell:The Dell website offers B2B, B2G, B2C functionality in it's shop. It sells products and services, and also provides e-business functions without financial transaction, such as technical support. Have a close look to its supports pages. You will find functionality such as
  - Self help with "Free Hardware diagnostics, "Free Performance Diagnostics"
  - Top Solutions
  - Access to service desk functions
  - Assisted search, using a wizard
  - Order tracking

Government-to-Business (G2B)

Request automation from business to government (replacing a paper procedure or having to visit a government office) Tax entry. Fulfilling regulatory compliance processes.

Consumer-to-Government (C2G)

Pressure groups, political/social action to influence government. E-petitions

Business-to-Government (B2G)

Feedback to government businesses and non-governmental organizations.

Government-to-Government (G2G)

Local government making requests to central government (e.g. project funding), exchanging information, inter government services