



renaissance

college of commerce & management

BBA/B.Com/BAJMC/1st Year Subject-Retail Management

SYLLABUS

B. Com/ BBA/ BAJMC 1st year Subject-Retail Management

UNIT NO.	TOPICS
UNIT - 1	Fundamentals of Retail Management: Basic concept of Retailing, Types of Retailers, Multi-Channel Retailer organization, 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 selection, Store layout, Image mix, Store Exterior and Interior, Color Blocking, Signage and Understanding Material Planograms
UNIT - 3	E-Retailing: Introduction: The concept 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. E-Marketing: Information Based Marketing, E-Marketing Mix - Cost, 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. 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



Retail Management Concept

The term "retail" comes from the French word "re-tailer," which meaning "to cut, trim, or split." This was mostly used in relation to tailoring. Thus, retailing refers to the sale of modest quantities of products. A retailer buys huge amounts of items from a wholesaler, divides them into the lowest possible quantities, and sells them to final customers.

The term "retailing" has a considerably broader definition than it appears. Retailing encompasses not just the sale of tangible things, but also the provision of services to individual customers. Dry cleaners, beauty salons, health centres, spas, tailor shops, and other service stores are examples.

"Any firm that targets its marketing efforts toward satisfying the final consumer based on the organisation of selling goods and services as a means of distribution according to the definition of retail.

The word retail has been derived from the French word 're-tail' which means 'to cut, trim or divide'. Thus retailing means, to sell goods in small quantities. Retailing not only covers the sale of goods which are tangible but also includes the sale of services to individual customers.

The term retailing has a much wider scope than it seems. Retailing not only covers the sale of goods which are tangible but also includes the sale of services to individual customers.

The examples of service retailers can be dry cleaners, beauty salons, health centres, spas, tailor's shop, etc. In the absence of retailers, there would be absolute confusion and it would be very difficult for the manufacturer to make the products available to a large number of customers. Thus retailers facilitate smooth flow of goods and services to the ultimate customers.

Evolution of Retailing

- Traditionally retailing in India can be traced to
 - The emergence of the neighbourhood 'Dhaba' 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 in 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 Manufacturers 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.



Some of the major retail stores are briefly described here:

i. Departmental Stores:

A departmental store offers a wide range of products in an organized fashion and is easily accessible by the consumer. The product line of departmental stores is substantially long. Departmental stores provide better amenities to consumers for shopping by virtue of having adequate infrastructure for parking, leisure activities and hobbies.

Departmental stores face stiff competition from discount shops and downtown retailers of poor quality goods. Departmental stores provide the consumer service of honoring the

product guarantee, warranty, post-sale services and the latest technical information. Departmental stores also organize educational programs for the benefit of the consumer on the various aspects of products use and other related matters.

ii. Exclusive Retail Stores:

Exclusive or specialty retail stores are unlike departmental stores and do not have a long product line. These stores are narrow in their product lines and are largely confined to the product line of a specific company. They present a varied assortment within that product line. Examples can be drawn from many consumer goods companies promoting exclusive retail stores like Phillips for a range of electrical, audio and video household gadgets; Raymond's for textiles; Bata for shoes and leather goods, and so on.

c. Super specialty stores.

Single line stores may be identified as the retail stores selling only one product like textiles. Limited line stores may be defined as the shops having micro specialization based on goods and services, gender and age, like exclusive men's wear retail stores, kids shoppe for garments etc.

The retail stores engaged in selling products scientifically designed for a particular purpose may be categorized as super specialty stores, e.g., surgical equipments stores, sports accessories; fashion garments stores and the like.

Nature of Retailing

Low Margin High Turnover:

Retailing may be low margin and high turnovers like in big bazaar, Vishal Megamart, Wal-Mart, Pantalone etc. they have wide variety of FMCG in several merchandise lines. These stores are located near to the consumers.

High Margin and Low Turnover:

These stores are having distinctive merchandise and sales approach. The stores in this category price their products above the market price. These store provide many specific services and sell special category of products, these stores are located in prime place. Examples are Lifestyle Chain, Armani DLF, Omega, Ethos etc.

High Margin-High Turnover:

Stores are those which have narrow line of items that turn over these are located in a non-commercial location, overhead cost may be high, but high prices can ensure profitability,



example are convenience food outlet.

Retailing in India

The Indian retail market is largely unorganized. However, the organised Indian retail market has increased by ~50% between 2012-2020 to its current value of nearly 12% of total retail. The modern Indian retail industry is expected to grow at a 15% CAGR to reach 18% by 2025. Major retail categories (by % organised retail penetration) such as apparel & accessories (18%), consumer electronics (6%) and home & living (6%) will drive the increase in organised retail this decade.

The Indian retail market can be categorised as

- (1) traditional outlets (vegetable, fruit, and grain markets and fairs);
- (2) established outlets (corner shops, kiosks, independent stores, department stores, supermarkets, hypermarkets, speciality stores, franchise stores, discount stores, and wholesale cash-and-carry outlets);
- (3) cooperative/government stores (Mother Dairy stores, Panchsheel village industry outlets, cottage industries emporiums, defence canteens, fair-price shops); and
- (4) e-commerce (online travel ticket and hotel accommodation, leisure goods, electronic goods, entertainment electronics, etc.).

The main segments of the overall retail industry are food and grocery (60 percent share); apparel (8 percent); telecom (6 percent); food service (5 percent); jewellery (4 percent); pharmacy (3 percent); consumer electronics (3 percent) and "others" (11 percent). However, the apparel segment tops the list of organised sector segments at 33 percent, followed by food-grocery and telecom (11 percent each) and consumer electronics (8 percent) for the second and third ranks.

Among the top retail groups/companies in India are Future Group (Big Bazaar, Pantaloons, Brand Factory), Tata Group (Tata and Tataiq outlets, Croma, Westside, Landmark), Reliance Retail (Reliance Supermarkets, Reliance Digital), K. Raheja Corp Group (Shoppers Stop, Crossword), Aditya Birla Group (More outlets), RP-Sanjeev Goenka Group (Spencer's Hyper, Spencer's Daily, RFLRB) and Rabindia.

The retail industry has four types of "channels" to route products from the manufacturer to the customer. They are the direct channel (producer to customer), retailer channel (producer to retailer to customer), wholesale channel (producer to wholesaler to retailer to customer), and agent/broker channel (producer to agent/broker to wholesaler to retailer to customer). Modern retail stores abroad use "omnichannel" strategies to seamlessly integrate channels and let the customer decide when, where, and how to buy.

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

What is Retail Marketing?

Retail marketing involves every element from the interior to exterior promotions and offers, product placements in-store advertisement, strategic placement as well as the behavior of store representatives.

Definition of Retail Marketing

A retail marketing include set of activities where a retailer buys products from a wholesaler or manufacturer to sells them to ends users (consumers). In simple words, a retailer is an intermediary which makes products available to consumers using different channels, for example, brick-and-mortar retail store, shopping malls, shopping website, automatic vending machines, kiosks etc.

Store Retailing Vs Non Store Retailing

A retail store means a place where the business is operated usually by the owner; however, sometimes operated and owned by the manufacturer or anyone other than a retailer within which the merchandise is primarily sold to end users.

On the other side, non-store retailing involves selling merchandise outside the boundaries of a retail facility. This generic term tends to describe retailing that takes place outside from stores and shops. The retailing takes place through television, internet, video, automatic vending machines direct marketing and direct selling.

Retail Marketing Strategies

Retailers are always in search of different marketing strategies to attract more customer, increase awareness and sales growth. In the first place it should select target market and then select combination of right marketing mix can lead a retail business to higher ROI. Keep in mind the following elements that need close consideration when drafting a retail marketing strategy.

Retail Marketing Examples

Walmart: Walmart is the giant of retail consumer market; however, despite the constantly rising cost of goods and thinner profit margins. Walmart has still managed to cater all type of income groups.

Amazon: Amazon is a big player in both the e-commerce world and physical retail and holds a strategy to deliver products to customers even faster and compete more effectively with other online and brick-and-mortar outlets.

Target marketing:

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

Certain essentials exist for a useful target market:

1. The buyers' ability to purchase products and services.
2. The willingness to buy the products and services



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

Growth Strategies

1. Growth by Market Penetration

When you take your present retail concept and merchandise mix, and "roll it out" to similar types of customers by opening more store locations or venues, you are growing by **Market Penetration**.

The focus is on replicating your store concept/ format, or making your online retail operation scalable.

Caution: you may be surprised to discover that opening additional stores across town or in another town, or launching an e-commerce website, may actually involve you in the **Market Development** growth strategy. Why? Because the customers across town, and the online shoppers, can be very different from the customers served from your present storefront.

2. Growth by Concept Development

Here, the focus is to change out the merchandise mix, or add to it, with categories that are logical extensions for existing types of customers.

This can have major impact on your Balance Sheet, as you add inventory.

Plus, impacts will ripple through your P&L as well. While owners may seem very generous with funds for training your staff and advertising the new product lines, beware the hidden costs of over-buying.

3. Growth by Market Development

Growing by **Market Development** is where many growth-by-Market-Penetration plans often end up!

The customers across town, or online shoppers, can be very different from the customers served from your present storefront. This is where customer psychographics (a combination of demographics, stages, and values) are very important.

Is your retail concept appropriate for college towns? Or county seats? Or hip urban neighborhoods? Follow the customer!

4. Growth by Diversification

Growing by **Diversification** – that is, taking a new or revised merchandise mix out to a new type of customer segment – is essentially a new retail startup!

Introducing a fresh concept to a market is an exciting opportunity. But all too often, retail organizations end up in a "diversification" mode without intending to be there.

They discover, for instance, that putting their merchandise on their website is simply providing another way for their customers to shop. Must be "Market Penetration."

But in fact, the folks who shop on the web are very different from those who prefer to come into their stores. So, we have now slipped into "Market Development", needing to deal with



new kinds of customers.

Meanwhile, those new kinds of customers may want different products, too! Yikes! Now they are also involved with new products and merchandise mix...which lands them in Diversification.

	Present Retail Concept/Format	New/Revised Merchandise Mix
Present Customer Profiles	1 Market Penetration	2 Concept Development
New Customer Profiles	3 Market Development	4 Diversification

The Four (Only!) Ways that Retail Businesses Grow

Pricing Strategy

As with any business decision, determining your pricing strategy starts with assessing your own business's needs and goals. This involves some commercial soul searching — what do you want your business to contribute to the economy and world? This could mean embracing a traditional retail strategy, establishing a service business mindset or emphasizing personal customer relationships in your offering.

Once you define your goals and needs, do some research on the market you're entering. Determine three to five main competitors in the industry by conducting online research or scouting out local businesses. No matter what pricing strategy you adopt, what your competitors are doing will impact your business's success and future decisions. Understanding your competitors' strategies can also help you differentiate your business from other businesses in the market. In an economy where there are thousands of small businesses providing the same products and services, an effective pricing strategy can help you stand out.

A good final stage in your research is speaking with potential customers to get a feel for how they value your brand, product or service. This can give you valuable insight into how to set your pricing. This kind of research can range from casual conversations with friends and family to formal surveys of potential buyers.

While you may have already done some of this legwork when developing your business plan, it's good to have as much insight and information as possible before you decide what pricing strategy to adopt.

Pricing strategies to attract customers to your business

There are dozens of ways you can price your products, and you may find that some work better than others — depending on the market you occupy. Consider these seven common strategies that many new businesses use to attract customers.



1. Price skimming

Skimming involves setting high prices when a product is introduced and then gradually lowering the price as more competitors enter the market. This type of pricing is ideal for businesses that are entering emerging markets. It gives companies the opportunity to capitalize on early adopters and then undercut future competitors as they join an already-developed market. A successful skimming strategy hinges largely on the market you're looking to enter.

2. Market penetration pricing

Pricing for market penetration is essentially the opposite of price skimming. Instead of starting high and slowly lowering prices, you take over a market by undercutting your competitors. Once you develop a reliable customer base, you raise prices. Many factors go into deciding on this strategy, like your business's ability to potentially take losses upfront to establish a strong footing in a market. It's also crucial to develop a loyal customer base, which can require other marketing and branding strategies.

3. Premium pricing

Premium pricing is for businesses that create high-quality products and market them to high-income individuals. The key with this pricing strategy is developing a product that is high quality and that customers will consider to be high value. You'll likely need to develop a "luxury" or "lifestyle" branding strategy to appeal to the right type of consumer.

If you've already launched your business, you can experiment with these strategies until you determine what works best for your business. You can also vary strategies between products depending on the market for each good or service.

4. Economy pricing

An economy pricing strategy involves targeting customers who want to save as much money as possible on whatever good or service they're purchasing. Big box stores, like Walmart and Costco, are prime examples of economy pricing models. Like premium pricing, adopting an economy pricing model depends on your overhead costs and the overall value of your product.

5. Bundle pricing

When companies package several products together and sell them for less money than each would be individually, it's known as bundle pricing. Bundle pricing is a good way to move a lot of inventory quickly. A successful bundle pricing strategy involves profits on low-value items offsetting losses on high-value items included in a bundle.

6. Value-based pricing

Value-based pricing is similar to premium pricing. In this model, a company bases its pricing on how much the customer believes the product is worth. This pricing model is best for merchants who offer unique products, rather than commodities.

How do you know what a customer perceives a product to be worth? It's hard to get an exact price, but you can use certain marketing techniques to understand the customer's perspective. Ask for customer feedback during the product development phase, or host a focus group. Investing in your brand can also help you add "perceived value" to your product.



CONSUMER BEHAVIOUR

Consumer behavior is the study of consumers and the processes they use to choose, use (consume), and dispose of products and services, including consumers' emotional, mental, and behavioral responses.

Consumer behaviour is the study of how individual customers, groups or organizations select, buy, use, and dispose ideas, goods, and services to satisfy their needs and wants. It refers to the actions of the consumers in the marketplace and the underlying motives for those actions.

Marketers expect that by understanding what causes the consumers to buy particular goods and services, they will be able to determine—which products are needed in the marketplace, which are obsolete, and how best to present the goods to the consumers.

Nature of Consumer Behaviour:

1. Influenced by various factors:

The various factors that influence the consumer behavior are as follows:

- Marketing factors such as product design, price, promotion, packaging, positioning and distribution.
- Personal factors such as age, gender, education and income level.
- Psychological factors such as buying motives, perception of the product and attitudes towards the product.
- Situational factors such as physical surroundings at the time of purchase, social surroundings and time factor.
- Social factors such as social status, reference groups and family.

DETERMINANTS OF CONSUMER BEHAVIOUR

Personal Factors

Personal factors refer to demographic features of population which differentiates people needs from one another. These factors influence the buying pattern of consumers. Personal factors comprises of age, occupation, personality, lifestyle, Life cycle stage and self-concept. Peoples with various ages have distinct demands like child will have more desire for toffee or chocolate whereas youth will prefer coffee.

In the same way, occupation influences the consumer behavior. People engaged in business need ordinary clothes whereas persons engaged in corporate sector required formal suits to wear.

Economic Factors

Economic factors studies the effect of economic conditions and income distribution pattern in an economy on consumers buying behavior. The main economic determinants include personal income, family income, consumer credit, standards of living and expectations regarding future income.

Consumers earning large incomes and having sufficient funds will demand more than those having low funds or earning small income. Similarly if peoples have higher standards of

living they will demand for luxury items while one with lower living standards will have only basic needs.



Cultural And Social Factors

This refers to social and cultural trends which enables people's in taking their buying decisions. It means traditions, beliefs and perceptions of society, family, religion and nation. Social and cultural factors comprises of culture, social class, social groups, subculture, opinion leaders, role and status.

Buying pattern of an individual is affected by attitude, desires and values of its family members. Peoples are influenced by their social caste and class where they share similar lifestyle, values, behavior and interests.

Psychological Factors

Consumers buying decisions varied according to his psychology and buying pattern. Person's likes and dislikes mainly depend upon his psychology. The main psychological factors are motivation, involvement, learning, attitude and perception. Motivation is the internal desire that force people to purchase products and depends on their position in hierarchy of needs. Also, attitude and involvement of individual with particular goods makes him to buy it.

CONSUMER MARKETING STRATEGY

Consumer marketing has been around for as long as there have been consumers. The difference between early marketing efforts and what's available today has to do with the ease of learning which marketing techniques work and which don't. Brands have to understand when their marketing efforts lose effectiveness and how to get back into the game when marketing campaigns go stale.

1. Make Emotional Connections.

People **remember information better** when it connects with their emotions. While on some level people want to know how your product works, most want to know how their lives will be better for having it. In other words, the ad showing the happy family enjoying a birthday dinner at home will resonate more than the ad for the stove and oven that lists all its features.

2. Use Fear of Missing Out (FOMO)

Fear is an emotion and it gets reactions. However, you do not have to make people fear for their lives. Just the fear of missing out (FOMO) on something good can be powerful. Missing out on your favorite or your new limited-edition product can be an effective focus of your consumer marketing campaign.

3. Promote Exclusivity.

Everyone wants to feel important like they are part of **an exclusive group**. Advertising that mines this need can be remarkably effective. Promoting your product as the choice of a discerning parent, car owner, or woodworker invites people into a world that is somewhat set apart from the everyday. It makes them feel as if they have "arrived."

4. Partner with Other Brands.

Creative **marketing partnerships** can be terrific for jump-starting a consumer marketing campaign. A great partnership will generally bring out both parties' best efforts (out of a sense of competitiveness, if nothing else), while exposing your brand to a new audience. A clothing brand might partner with a musician, while a bakery could partner with a florist during a wedding season.



5. Develop a Strong Social Media Strategy.

Posting on Facebook and Twitter should not just be an afterthought for your brand. A strong social media strategy can be tremendous for brand building. Choose two or three platforms through which to focus your efforts. Create an editorial schedule for posting and commit to it. Most platforms offer extensive analytics so you can learn what works and who your audience is right away. Knowing your audience will be very important if you do any paid social media advertising due to the powerful targeting tools social media platforms have.

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What Is the Consumer Decision Making Process?

The consumer decision making process is the process by which consumers become aware of and identify their needs; collect information on how to best solve these needs; evaluate alternative available options; make a purchasing decision; and evaluate their purchase.

Understanding the consumer decision making process is important to any business, but eCommerce businesses have a unique opportunity to optimize it. Because online shoppers generate so much more data than those in brick-and-mortar stores, online retailers can use that data to implement conversion strategies for every stage of the process.

CONSUMER DECISION MAKING PROCESS

The 5 Stages of the Consumer Decision Making Process — And How to Optimize

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 consumer 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.

1. Need recognition (awareness)

The need recognition stage of the consumer decision making process starts when a consumer realizes a need. Needs come about because of two reasons:

1. **Internal stimuli**, normally physiological or emotional needs, such as hunger, thirst, sickness, sleepiness, sadness, jealousy, etc.
2. **External stimuli**, like an advertisement, the smell of yummy food, etc.

Even if the core cause is vanity or convenience, at the most basic level, all purchases are driven by real or perceived physiological or emotional needs. The cause for these stimuli can be social (wanting to look cool and well dressed) or functional (needing a better computer to do work more effectively), but they speak to the same basic drivers. We buy groceries because without food in the house, we'll be hungry. We buy new clothes because we'll be cold, or we feel like everyone else has the latest handbag of the season, and we don't want to be left out.

Example: Looking for a new camera

Think about it: Why does someone start looking for a new camera? Likely, their old camera isn't working well anymore, or they simply want a nicer camera. Maybe they have a vacation coming up. Or maybe they want to give the camera as a present to their sister, who just had her first child.

How in the world is this related to a physiological need? Simple. Without a camera, they won't be able to document special moments; therefore, they have an emotional desire to save these moments so that they are happy and not sad.

This emotional desire is the external stimuli of this situation. Sure, a camera isn't a life necessity keeping them from surviving, but it does solve a core emotional need.

What happens after someone identifies a need? They begin looking for a solution! Which brings us to the next step in the customer journey: searching for information.

2. Search for information (research)

As soon as a consumer recognizes a need and begins to search for an answer, you must be there to help. Now where do consumers generally go to look for answers today? Google!

Example: Researching cameras

Now that the customer has realized a need to get a new camera, it's time to find solutions to his problem. In this stage, it's imperative that you are visible to the consumer searching for an answer.

Here are some things a consumer may be searching for:

- *Best cameras 2020*
- *What is the best affordable camera?*
- *Which cameras are top-rated?*

The amount of information a customer needs to search for depends on how much he already knows about the solutions available, as well as the complexity of choices. For



example, let's say there's someone looking for a camera as a gift, and he has no idea which type of camera he wants, or what features he needs.

He will need more information than someone who already knows exactly the type of camera he wants to buy, but just needs to find the right product and the right way to purchase it.

The amount of searching necessary is entirely dependent on the situation, and it can vary widely.

So how do customers search for information? By using internal information (their previous knowledge of a product or brand) as well as external information (information about a product or brand from friends or family, reviews, endorsements, press reviews, etc.).

The biggest way you can optimize your online business during the need recognition and awareness stage is by making sure you show up in search results — and that what the consumer sees makes an impression.

Strategies to optimize during the research stage

First, make sure you're optimizing your eCommerce storefront to rank for the keywords that matter to your brand. For a complete guide on eCommerce SEO, [Online](#) and know how to strategize your SEO, you'll want to make sure your results are well optimized to convert. User-generated reviews can help you to build brand awareness during the research stage. In fact, it's one of the most effective ways to do it.

Reviews can help your store get seen in search results by increasing the likelihood of your store showing up for long-tail keywords. Reviews improve SEO because they give your online business a steady source of keyword rich, relevant content.

So when someone opens up their laptop and starts searching for a new camera, reviews will help you be there:

Online businesses that use reviews see an increase in search traffic. You can leverage reviews in Google Rich Snippets and Product Listing Ads so that if a customer searches in Google, you've added credibility to your listing. Businesses that show reviews in their search results stand out from the competition.

3. Evaluation of alternatives (consideration)

Now that the consumer has done research, it's time to evaluate their choices and see if there are any promising alternatives. During this phase, shoppers are aware of your brand and have been brought to your site to consider whether to purchase from you or a competitor.

Consumers make purchase decisions based on which available options best match their needs, and to minimize the risk of investing poorly, they will make sure there are no better options for them.

Their evaluation is influenced by two major characteristics:

1. **Objective:** Features, functionality, price, ease of use
2. **Subjective:** Feelings about a brand (based on previous experience or input from past customers)



Example: Comparison shopping for a camera

If you're a camera seller or brand, your goal in the consideration stage is to convince customers your camera is the best choice. And the most effective way to do that is to keep them on your site longer and find ways to earn their trust.

Consumers will first weigh the objective characteristics of your camera. Does it have all the features I want? Is it easy to use? Is it in my budget? Then, the subjective consideration will kick in: Do *other people* think it has all the features it should? Has anyone else who bought it expressed any difficulty with learning how to use it? Is it generally considered a good value for the money?

You only have one shot – so you need to make the most of it. Of course, it's important that your site is informative, your prices are competitive, your value is clear, etc. But if you're identical to a competitor in every single way, the word of previous customers is what will set you apart.

Strategies for optimizing in the consideration stage

In this stage, use reviews and user-generated content examples on your site to increase engagement and boost customer trust.

The first place you need to have reviews is on your home page, so as soon as customers land on your site, they see content from past buyers. You also need to display reviews on your product pages, so customers looking for information can see trustworthy input from past buyers.

Additionally, using reviews in a home page carousel reduces bounce rate while increasing time spent on site and page views. That boost in engagement increases the likelihood that customers will learn more about your store and leave your site with a positive memory of your brand.

Reviews also help kick start the navigation to other product pages. Make sure to get reviews on a wide variety of products in order to increase click throughs from category pages into product pages.

Also, community questions and answers are another powerful type of user-generated content that can help answer shoppers' questions so that they have no reason not to buy from you.

4. Purchasing decision (conversion)

Alright, now it's money time. This is the stage when customers are ready to buy, have decided where and what they want to buy, and are ready to pull out their credit cards.

But wait! Not so fast. You can still lose a customer at this stage. This is the stage when the purchasing experience is key – it's imperative to make it as easy as possible.

Example: Abandoning checkout for a camera

Let's say your potential customer has gotten to the checkout stage of his purchase, and has second thoughts: What if the recipient wants a different camera? What if this camera is missing a key feature that the recipient would want? How difficult will it be for the recipient to return the camera if it doesn't meet their needs?

This shopper will likely abandon his cart, and go back to the research stage. Maybe he'll end



up back on your site, but maybe he won't. Your goal at this stage is to get him to complete the purchase *now*, so you don't lose him forever.

Strategies for optimizing in the conversion stage

Many businesses choose to display reviews on checkout pages. This can be effective if done correctly. You need to focus on building trust, but don't distract the customer from completing the purchase.

If you want to display user-generated content during checkout, use site reviews rather than customer photos or product reviews, and make sure they aren't clickable. You want to focus on building trust and not distracting.

5. Post-purchase evaluation (re-purchase)

In this stage of the consumer purchase decision process, consumers reflect on their recent purchase. They think about how they feel about it, if it was a good investment, and most importantly, if they will return to the brand for future purchases and recommend the brand to friends and family.

In this stage, you need to have a post-purchase strategy to increase the likelihood that customers will engage with your brand again in the future. Return customers account for 1/3 of a store's total income on average, so make sure you're not missing out on this super valuable opportunity to increase your eCommerce conversion rate by turning shoppers into repeat buyers.

Example: Getting feedback and encouraging repeat purchases

In the camera example, the customer has already bought from your brand and they're evaluating their purchase. This is usually when they will leave a review about their experience. This is also when they are at their most engaged with your brand, and they can be susceptible to strategies that encourage long term engagement.

At this stage, you want to ensure that customers buy again, and you want to encourage them to leave UGC that helps other buyers in the future.

Strategies for optimizing in the conversion stage

While your customer might take it upon themselves to leave a review, they're far more likely to do so if you request one. Asking customers for reviews about their experience in a post-purchase email not only gives you insight into your performance, but it also gives you valuable user-generated content to leverage to attract future customers.

It's important to remember that customers have already given you something very valuable: their money! So you don't want to ask for too much when requesting feedback. In order

to encourage customers to write reviews, make it as easy as possible for customers to leave feedback:

You can also use this email to cross-sell other items. Data from over 2,000 stores shows that 27.5% of customers who see promoted products in post-purchase review request emails end up converting – and these customers are valuable.

After purchase, it's also a good opportunity to promote your loyalty program. Customers in loyalty programs consistently provide a higher lifetime value than those who aren't because the programs are designed to incentivize purchases.



What Is the Importance of Pricing in the Consumer Buying Process?

One common question that eCommerce brands will ask is how consumers factor price into their buying decisions. When consumers are evaluating a product, price is of course a huge factor. But it's not just about the product price — it's about the entire cost of the purchase. Let's say your cameras are a good value for the money, competitively priced, and have decent reviews. What happens when your customers get to checkout, and see that you have a high shipping cost? Instead of completing the purchase, they are going to see what the shipping cost is on the other cameras they were considering. And what if one of them offers free shipping? You may lose that customer.

You don't want shoppers to be surprised by any additional costs when they get to checkout. Make sure to calculate taxes and shipping costs before they get to the final step. The more transparent you can be about your pricing up front, the more likely you'll be to complete the sale.

If you want to turn a potential customer into a loyal brand advocate, it's important to build trust and keep them engaged at every step of the process. User-generated content is a powerful tool for building brand awareness, highlighting the best things about your products, and ultimately, growing your bottom line.

What is Organizational Consumer Behavior?

Organizational consumer behavior also called business buying behavior or organizational buying decision is the behavior of organizations while buying products or services that may buy such things for resale, reproduction, or to conduct an organization's operations.

The behavior of an organization shown in buying goods or services is called organizational buying behavior. The organizations buy goods or services for business use, resale, produce

other goods or provide services. Business and industrial organizations buy goods to use in business or produce other goods. Resellers buy goods for reselling them at profitable price.

Similarly, government bodies buy goods for office and conducting development program.

Non-governmental organizations, hospitals, educational institutes, social organizations, religious organizations etc. buy goods to provide services to their followers or customers.

Users, influencers, buyers, deciders and gate keepers take part in organizational buying process. Users who are the members of organization use bought goods or services. They prepare buying proposal and help in preparing product specification. They also help in preparing special report and analyzing alternatives. Influencers influence buying decision. They help in preparing products specification and analyzing alternatives. Those who buy goods or services are called buyers. Buyers select suppliers and make buying terms and conditions. The person who makes the last decision to buy goods or services from the selected supplier is called decider. Goods are purchased from the supplier selected by the decider. Gatekeeper controls flow of information and other things. Technical staff and personal assistant work as gate keeper.

Organizational buying behavior is influenced by marketing stimuli and other stimuli. Marketing stimuli includes product, price, place and promotion and other stimuli includes economic, technological, political, cultural and competition. These motivators bring changes in the buyers' behavior after they enter in an organization. Or these stimuli influence selection of goods or service, selection of suppliers, order, quantities, delivery time, terms and conditions of goods or services etc.



SERVICE RETAILING

Service retailer refers to a retailer, whose product line is actually a service, including hotels and motels, banks, airlines, colleges, hospitals, movie theaters, tennis clubs, browsing alleys, restaurants, repair services, hair salons, and dry cleaners. These retailers in the United States are growing faster than product retailers.

The fundamental to all service retailers' businesses is customer service. A **service retailer** protects customer loyalty and offers the customers their best service so that they have outstanding retail experience.

These retailers can be mainly of three types based on the form of service they are providing.

1. Full-Service: These retailers provide support to customers at each touch point of the total shopping process. It is not just limited to the area of personal interaction and also offers service type making the overall shopping experience easier in the following ways:

- To accept multiple payment forms such as debit card, credit card, check, and cash.
- To offer delivery services
- To provide demonstrations or make recommendations, such as offer product samples, cooking classes, or recipes.
- To allow returns or exchanges
- To allow special orders
- To provide consumer loyalty program

2. Assorted-Service: Most service retailers provide some level of service to customers. Services include managing the purchase-point transaction, assistance in product selection, offering delivery, arranging payment plans, etc.

3. Self-Service: These retailers allow customers to perform all or most of the services related to retail purchasing. Some customers view self-service as a benefit, but others may take it as inconvenient.

ZONE OF TOLERANCE

The zone-of-tolerance (ZOT) is an innovative concept that has attracted recent attention in the services marketing domain. The ZOT represents a range of service performance that a customer considers satisfactory, which recognizes multiple expectation standards, specifically adequate and desired expectations. This study aims to extend Zeithaml, Berry and Parasuraman's examination in 1996 of the relationship between service quality and behavioral intentions across the ZOT by heeding Teas and DeCarlo's call in 2004 to examine the relationship for specific dimensions. The study also seeks to extend outcomes to include satisfaction and value.

CONSUMER PERCEPTION OF SERVICE

What exactly does your customer think about your brand, products, services, quality is consumer perception. In other words, the customer's viewpoint about your business, his feelings about your brand, one's direct/indirect experiences etc. By observing & examine the result of your customer opinions, you can detect current customer pain points and enhance the consumer experience.

Perception is often linked to one's expectation. Consumer Expectations are actively evolving, the result of the evaluations tends to shift over time. The evaluation will vary



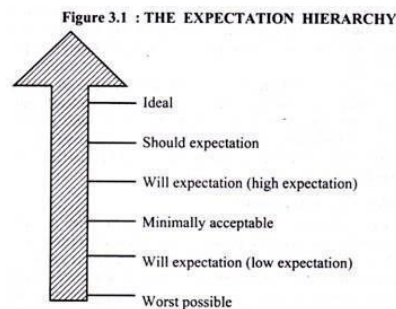
from person to person and from time to time. What one may consider as quality can often be denied by the other.

Expectations

Satisfaction and delight are both strongly influenced by customer expectations. By “expectations,” behavioral researchers mean an array of possible outcomes that reflect what might, could, should, or had better not happen. There are several different kinds of expectations.

Figure 3.1 show a hierarchy of expectations that might exist for a typical customer.

The will expectations come closest to the mathematics definition. It is the average level of quality that is predicted based on all known information. This is the expectation level most often meant by customers (and used by researchers). When someone say “that service exceeded my expectations,”



Expectations are affected strongly by experience. For example, if the customer has a bad experience, then the will expectation will decline. A good experience will tend to raise the will expectation. Generally speaking, the should expectation will go up, but never decline. Very good experiences tend to bring the should expectations up to that level. Thus expectations change over time, often for the better.

What is the service marketing triangle?

The service marketing triangle is a framework that defines relationships with companies, their customers, their vendors and their systems. It's a way to show companies how these several components can affect each other. This method of understanding these relationships is common in the service industry and can determine where companies might direct their marketing efforts. Here are three main ways service companies use marketing to reach their business goals after analyzing their service marketing triangle:

Interactive marketing

Interactive marketing is a way to target individuals both within a company and outside a company. This means the company can respond directly to actions that customers take to create a more personalized experience and sell its services. When customers act a certain way, like if they click on an advertisement, a company may send email marketing or promote specific products to leverage the customer's engagement and turn it into a sale.

Internal marketing

Internal marketing is when companies use certain strategies to appeal to their employees. Companies often use internal marketing to promote their business goals or to help employees learn more about its mission and values. Internal marketing can promote employee engagement through this type of marketing with the goal that employees feel like they can contribute to their overall goals or align their values with those of the company.



External marketing

External marketing is the traditional type of marketing where companies create promotions and materials to help sell their services. This includes creating and maintaining a brand that customers recognize and promoting advertisements to appeal to customers. External marketing requires several tools like social sites, partnerships and company elements, like a logo and website.

Marketing Mix Definition

"The marketing mix is "the set of marketing tools that a company utilizes to achieve its marketing goals in the target market environment." According to marketers, it's what makes your product unique and different from the competition."

What Are The 4 Ps Of The Marketing Mix?

The following involves the process of defining the marketing mix:

Product

The company manufactures or designs the item or service to fulfill consumer needs.

The product ought to be promising, productive, and effective. Customers won't buy an inefficient product even when you promote it heavily.

Your audience will acknowledge the marketing investments and strategies if the product has potential.

Price

The consumer pays the value to access or receive the product. Most marketing promotions stress the cost-effective pricing of the product.

Pricing depends on the various costs incurred during the development phase and the profit margins desired by the stakeholders.

For setting the price, you should consider a few factors:

- **The worth of the product:** From the user's perspective, is the product worth the money spent on buying it? Is it equipped to serve most of the user's needs? And is it better than the other brands?
- **Compare to market prices:** If another brand's product provides the same service as yours, it comes down to the price difference. The customer will buy the more cost-effective product, and marketing promotions attract the customer by price comparison.
- **Over or underpricing:** You should price the product based on its features, the number of needs it fulfills, and the prices offered by competitors. Also, sometimes, the brand image aids the pricing.

Therefore, a product shouldn't be so overpriced that the customer won't buy it. It also should be too underpriced that you don't meet the profit margins even if the sales are high.

Place

Place refers to the areas of distribution.

As the site's culture, needs, and market environment change, marketing strategies vary depending on the location.

Promotion



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Promotion helps communicate with the potential customers and promote product benefits to convince or attract them to buy.

It involves advertising, incentive, discounts, word of mouth, or anything that promotes a good image.

All these are interrelated such that you can focus on no factor individually. That's why it is a mixture or a 'mix.'

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Market Segmentation

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

According to Kotler, 'the 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 segments, but identifies 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 cause of market segmentation.
5. It is a method for achieving maximum market response from limited marketing resources by recognizing difference in 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 into homogeneous groups on the basis of their attributes and nature so that suitable marketing program 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

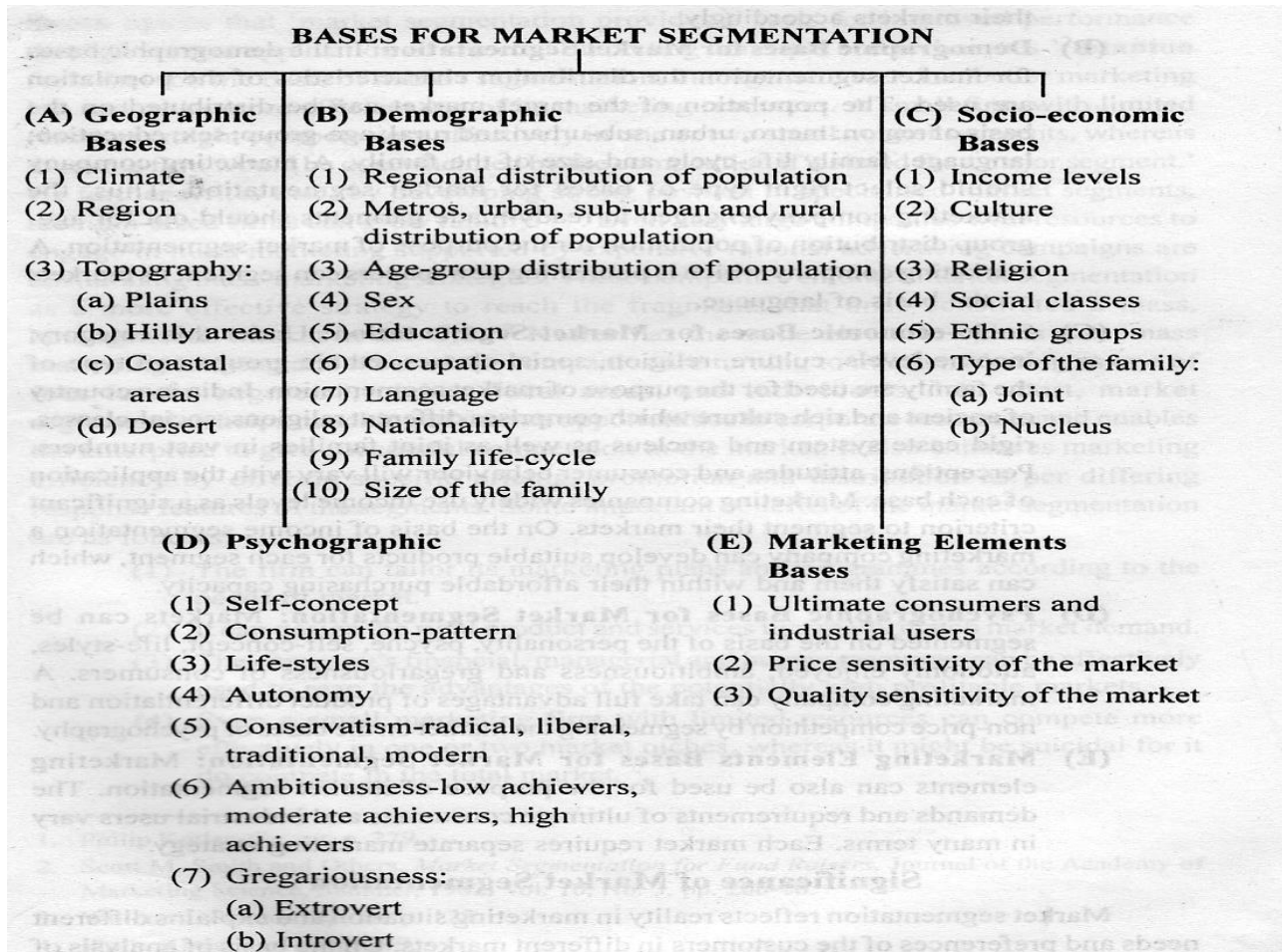
The use of the concept of market segmentation will be more useful in the following conditions:

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



1. Demographic segmentation

Dividing your market according to pre-defined audience characteristics is called demographic market segmentation. This type of segmentation is typically useful in B2C businesses.

Demographic segmentation is done by collecting audience insights and splitting your target market by personal attributes like age group, gender, marital status, family size, levels of educational attainment, and income. In B2B, firmographic segmentation, which considers company variables instead of individual traits, is more common.

2. Geographical segmentation

Technically, geographical segmentation is a subset of demographic segmentation in which you divide the audience based on geographical location. Geographic segmentation is valuable

in almost any business: B2B or B2C, a global enterprise, or SMB, service providers, and retailers.

Geographical location impacts language and time-zone and has implications on purchasing habits, pricing level, and cultural considerations.

3. Behavioral segmentation

In behavioral segmentation, you create groups based on online behavior



represented by engagement metrics. This includes factors such as frequency, duration of visits, bounce rate, and click-through rate (CTR).

You might investigate the channels through which visitors reach your site, the devices they use to access your content, popular content, preferred payment method, and more. With an in-depth conversion analysis, you can gather the necessary data to create effective behavioral segments.

4. Psychographic segmentation

Psychographic segmentation looks at the interests, values, and attitudes of your visitors. It is highly useful for NGOs or companies with a specific social or environmental agenda. Also, in the field of leisure and sports, this type of segmentation can make a difference.

Psychographic segmentation includes investigating what your audience already knows about you and your products. Sometimes a person's viewpoint can even be a prerequisite for being part of your audience, and the way your audience perceives you relative to others in the industry can impact their decision.

As an example, a basketball player has no use for a tennis racket, and a tennis player has no interest in dancing shoes. An active wear retailer would benefit from providing segmented marketing content.

Assignment Questions

1. Select a well-known Indian retail chain (e.g., D-Mart, Reliance Fresh, Shoppers Stop). Analyze its retail format and identify its target market. Suggest whether it should expand into another retail format to capture new customers. Justify your answer with examples.
2. Choose a service retailer (like Big Bazaar, Asyday, Decathlon, or Amazon customer service). Evaluate its service strategy using the **Service Triangle** framework. Identify at least two service challenges the retailer faces and suggest possible improvements.
3. Visit two different retailers (organized and unorganized) selling similar products (e.g., groceries, clothing). Compare their pricing strategies and analyze how these influence consumer buying behavior. Prepare a short report with customer observations.
4. Select an Indian retailer that has recently expanded (e.g., Tata Croma, Nykaa, Reliance Digital). Study its **growth strategy** (market penetration, market expansion, diversification). Suggest an alternative growth strategy for the company in the next 5 years.
5. Take an example of a retail service brand (like Lifestyle, Zudio, or H&M). Identify its **target segments** and explain how its **marketing mix (7Ps)** is designed to serve them. Assess whether customer expectations match their service experience (zone of tolerance).



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.

Retail Management Concept 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, where, 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 the 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 to 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.

The Retail 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 stand-alone 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 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 emotions 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 soothing 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 Promotion:** 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-smoking 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.



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Assignment Questions

1. Visit any retail store (e.g., supermarket, apparel store, electronics store) and prepare a short report with photographs describing how *visual merchandising* (mannequins, window displays, lighting, props, etc.) influences customer buying behavior.
2. Assume you are the merchandise manager of a mid-sized clothing store. Prepare a *monthly merchandise budget* with estimates of sales, purchases, promotions, and stock requirements.
3. Design a sketch/layout for a new retail store (grocery, fashion, or electronics). Indicate which type of layout (grid, free-flow, loop) you are using and justify why it is suitable.
4. Select any one retail brand (Reliance Trends, Zara, Big Bazaar, Starbucks, etc.) and analyze its pricing strategy. Suggest improvements in pricing to attract more customers.
5. Imagine you are opening a new bookstore/café in your city. Identify two possible store locations and compare them based on factors like accessibility, visibility, competition, customer traffic, and cost. Recommend the best site with justification.