

# Retail Management

**Block**

**4**

## MANAGING THE RETAIL STORE

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## BLOCK 4: MANAGING THE RETAIL STORE

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This block, *Managing the Retail Store*, emphasizes why customer experience should be considered as the key element by a retailer in today's competitive retail landscape. It consists of five units which deal with store management, store layout, design and visual merchandising, customer service, retail selling, and information systems and logistics.

Unit 11 - *Store Management*: To have updated information on the goods sold and available, when to stock goods and how much, how to delegate the work and how to manage the workers are part of store management. This unit begins with the role of store personnel in attracting and retaining customers and goes on to explain the recruitment process of store personnel to build an effective team. The role of a store manager as a leader is also discussed. The roles and responsibilities of a store manager from periodic performance review to boosting the morale of the other store personnel is elaborated in this unit. Acquaintance to legal aspects while running a retail store by a store manager is also emphasized while simultaneously explaining the various factors that contribute to cost control.

Unit 12 - *Store Layout, Design and Visual Merchandizing*: Attracting customers' attention through external and internal physical features are inevitable for a retailer to run a store. The uniqueness of a store contributed by store layout and visual merchandising forms the foundation of this unit. Planning the layout that would manage the space, the interiors, exteriors, and security systems in the store are part of this unit.

Unit 13 - *Customer Service*: Customer service is a vital differentiator that helps in maintaining customer loyalty. This unit deals with customization and standardization concepts that give a strategic advantage to a retailer. The three main types of services — pre-transaction, transaction and post-transaction services — are discussed as customers evaluate a store in terms of service delivered. The Gaps Model for improving the quality of service and service recovery by listening to customer complaints is deliberated in this unit.

Unit 14 - *Retail Selling*: Retailers are instrumental in marketing the products and services offered by a manufacturer. This unit analyzes the role of a retail salesperson and the act of personal selling in promoting the merchandise of the store. The skills required by a salesperson and the different stages of retail selling are also briefed upon. The various parameters used to evaluate a salesperson are explained towards the end of this unit.

Unit 15 - *Information Systems and Logistics*: Data mining and flow of information from the customer to retailer or vice versa plays a vital role in the retail industry. On the one hand, it helps the retailer be updated on customer trends; and on the other, it helps the customer be informed of the latest products available in the market. This vital element — Information Systems and the important concepts surrounding it — the sources (internal and external sources) and the logistics, are discussed at length. The role of technology in Retail Information System (RIS), Quick Response (QR) Delivery System and Data Warehousing forms the core of this Unit.

## Unit 11

# Store Management

### Structure

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- 11.1 Introduction
- 11.2 Objectives
- 11.3 Store Management – Role of Store Managers
- 11.4 The Retail Personnel Management Process
- 11.5 Legal and Ethical Issues in Managing Store Personnel
- 11.6 Cost Control
- 11.7 Summary
- 11.8 Glossary
- 11.9 Self-Assessment Test
- 11.10 Suggested Readings/Reference Material
- 11.11 Answers to Check Your Progress Questions

*“The job of senior management is to cultivate an environment where store managers can learn from the market and from each other.”*

- Sam Walton, an American businessman and entrepreneur best known for founding the retailers Walmart and Sam's Club

### 11.1 Introduction

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Opening and running retail store is a serious affair and requires meticulous planning and detailed knowledge.

Most retailers believe that location, merchandise, price and promotion are the most important factors for the success of a retail store. They fail to realize that even the best product in the world, offered at the best location and price, doesn't sell by itself but is sold by the staff working on the shop floor.

People working for the store can make or break the future of a store. Many stores lose sales due to store personnel's poor service, lack of product knowledge, indifference towards customers, and limited selling skills. Thus, it is important for retailers to take time to build a winning team and harness its power.

In the previous unit we discussed merchandise purchase. In this unit, we will discuss store management where it analyzes various legal and ethical issues that are to be considered in store personnel management and the role of a Store Manager in building a winning team of store personnel.



## **Block 4: Managing the Retail Store**

### **11.2 Objectives**

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After reading through this unit, you should be able to:

- Identify the roles and responsibilities of a store manager to ensure effective management of store activities and personnel
- Describe the various process of retail personnel management that becomes the pre-cursor to a store's success
- Explain the legal and ethical issues involved while managing the store personnel that gets reflected in the store's general code of conduct
- Define cost control measures for enhancing the efficiency of the business operations
- Discuss how to reduce inventory shrinkage for avoiding adverse effects on the business.

### **11.3 Store Management: Role of Store Managers**

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The success of a retail store manager depends on how effectively and efficiently he manages the stores' personnel and assets. The merchandise purchaser (buyer) procures the right kind of merchandise for the store and it remains the responsibility of the store manager to assign the right people to display and sell them.

The retail store manager should take the responsibility for the conduct of the store personnel and maintenance of service standards of the organization as well as protection of the merchandise in the store. The responsibilities of a store manager can be broadly divided into four categories:

- Managing the store personnel
- Minimizing the costs of the retail store
- Managing the buying and selling activities of the retail store
- Providing good customer service

All the four major functions of the retail store manager are aimed at increasing the productivity of the store.

#### **Managing the Store Personnel**

A store manager can increase the productivity of the store by managing the store's human resources effectively and efficiently. To increase the productivity of the store personnel, a store manager should:

- Recruit and select efficient people
- Improve their specific skills through training
- Motivate the store personnel
- Evaluate their performance at regular intervals
- Reward them on the basis of performance

These aspects would be dealt at length later in this unit.

### **Minimizing the Cost of the Retail Store**

The payment of salaries and other compensation benefits to employees constitute a major part of the cost of a retail store. Other costs of the store include, cost for control and maintenance and inventory loss due to shoplifting and employee theft. The store manager should try to reduce these costs by efficiently managing the store personnel as well as providing security and maintenance to the store. (This has been discussed in detail in the later part of this unit.)

### **Managing the Buying and Selling Activities**

A retail store can manage the buying and selling activities through displays and visual merchandising. The retail store manager can work along with buyers and suggest new merchandise plan and manage special events, and, decide on markdowns to increase the sale of merchandise. The merchandise purchase activities have already been discussed in unit 10.

### **Providing Customer Service**

To retain customers and increase traffic flow in a retail store, the store manager has to provide customized services, which add value to the merchandise sold.

#### **Example: T-We Tea Store Manager Retain Customers Through Exemplary Customer Service**

T-We Tea is a San Francisco based tea company that specializes in small-batch artisan blend teas. The store manager at T-We Tea has made it a point to let its frequent customers know that it is grateful for their purchases. Francesca Nicasio, a regular customer at T-We Tea recalls a note that she received with her last purchased order from the store that stated, “OMG, Hi Francesca! So lovely to see your name come up! We miss you dearly up here but know you are always doing epic things!”

Francesca recalls it as a lovely gesture and it’s certainly not something that she gets from other retailers. This incident forever turned T-We Tea as one of her go-to places for loose leaf tea.

*Source: Nicasio, F. (July 26, 2021). 13 Examples of Good Customer Service in Retail (and How to Apply Them to Your Stores). Retrieved from <https://www.vendhq.com/blog/examples-good-customer-service-retail/>. Accessed on 01-08-2022*

## **11.4 The Retail Personnel Management Process**

The success of a retail organization depends on the management of store personnel. Some of the steps in the process of retail personnel management are:

- Job analysis
- Recruitment
- Selection
- Socializing and training
- Motivating

## Block 4: Managing the Retail Store

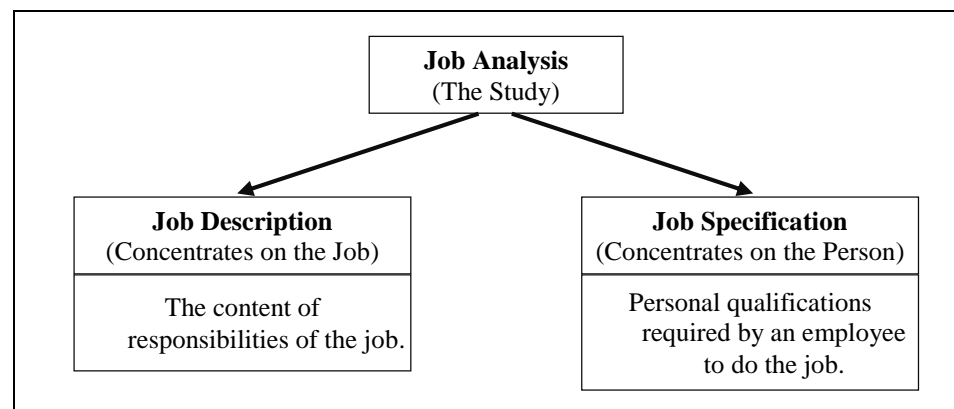
- Evaluating
- Compensating

### 11.4.1 Job Analysis

Job analysis is the systematic analysis of an existing or proposed position or group of positions within an organization. While performing a job analysis, a retailer collects information relating to areas like:

- **Duties and Tasks:** This may include all information related to frequency of tasks and duration of the job, effort and skills required, the level of complexity, equipment to be handled, standards to be maintained, etc.
- **Work environment:** Job analysis should concentrate on listing out all the aspects relating to the work environment, which would have an impact on the performance of an employee. For example, at times the retail work environment may require the salesperson to attend to hostile and aggressive customers.
- **Tools and Equipment:** Some duties and tasks in a retail store may require the store personnel to work with specific equipment and tools like barcode readers/scanners, computers, security gadgets etc. Therefore, information related to these aspects should be clearly specified.
- **Relationships:** While performing their jobs, store personnel may need to maintain relationships with people both internal and external to the store. All information pertaining to this should be clearly mentioned.
- **Requirements:** A job analysis should specify the minimum knowledge, skills, and abilities required to perform a job. Thus, a good job analysis would enable a retailer to understand the various retail jobs better. Job analysis forms the basis for preparing a job description (what must be done) and job specification (what qualifications are needed to do the job). Figure 11.1 depicts the role of job description and job specification in job analysis.

**Figure 11.1: Relationship among Job Analysis, Job Description and Job Specification**



Source: ICFAI Research Center.

Based on information collected during job analysis, other activities like recruitment, selection, training, compensation etc., are undertaken.

### **Uses of Job Analysis**

Job analysis can be used for various HR management activities:

***Recruitment and Selection:*** Job analysis gives a detailed description about the job and the skills required to perform it. Detailed job descriptions and specifications help the management develop job-related selection and screening tools such as interview questions to select suitable people.

***Compensation:*** Information available from job analysis helps the top management evaluate the value of each and every job and decide upon the compensation required at each level. The compensation can be in terms of salary or bonus, depending on the nature of the job and the skills required, qualification, safety hazards, degree of responsibility, etc. Thus, job analysis helps the top management to decide upon the relative worth of each job and provide compensation accordingly.

***Performance Appraisal:*** Job analysis helps the supervisor and the employee to have a shared understanding about the nature of the job. Thus, the process becomes more transparent and supervisors can therefore appraise the employees more accurately.

***Training:*** A job analysis provides a clear description of the activities and skills required for performing a particular job. The store manager can identify the training needs and develop objectives, standards and curricula for individual and group training.

***Understand the Career Ladders:*** Job analysis provides the store personnel with a detailed description of the job and its relation to other jobs. This helps the store personnel to undertake the required training which will enable them to climb up the career ladder.

### ***Job Description***

A job description is a clearly written statement that explains the duties, responsibilities, qualifications, and performance expectations of a retail employee. It enables an applicant to gain a clear understanding of the job requirements and skills needed to successfully achieve the objectives of the job. The job description allows the retail manager to identify and select the prospective candidate for a job. A sample job description is explained in Exhibit 11.1.

**Exhibit 11.1: Job Description**

**General Responsibilities –**

- Responsible for the smooth and effective functioning of the store.
- One of the major responsibilities of the store manager is to make the customers feel safe and comfortable in the store. It is his key responsibility to make sure that the customer leaves the store with a pleasant smile.
- Follow trust processes and guidelines for store operating procedures
- The store manager is responsible for managing the assets of the store. The security and safety of the store is his responsibility.
- The store manager must ensure that sufficient inventory is available at the store to avoid being - out of stock-

**Skills –**

- Experience in Managing Medium / Hi End Retail Store for a fashion brand.
- Excellent communication skills (both Hindi and English), both verbal and written in addition to strong interpersonal skills.
- Ability to manoeuvre around the sales floor, stockroom and office

**Financial –**

- Ability to operate cash register and office computer and other equipment (tablets, QR's etc.)
- The store manager must make sure his store is meeting the targets and earning profits
- Inventory management
- Is responsible for planning, managing profit and loss, handling cash at the store as well as collating daily sales as well as other necessary reports

**Store Upkeep –**

- Ensure the store is kept clean
- Ensure shelves and racks are properly stocked and products do not fall off the shelves.
- Ensure mannequins are kept at the right place to attract the customers into the store and rotated frequently.
- Ensure the merchandise should be according to the season as well as the latest trends.

*Contd....*

- Ensure the store is well lit, ventilated and offers a positive ambience to the customers.
- Ensure the signage displaying the name and logo of the store is installed at the right place and viewable to all

*Job Type:* Full-time

*Salary:* ₹160,000.00 - ₹300,000.00 per year

*Schedule:* Day shift

*Supplemental Pay:* Commission pay

*Ability to commute/relocate:* Bhopal - 462016, Madhya Pradesh: Reliably commute or planning to relocate before starting work (Required)

*Education:* Bachelor's (Preferred)

*Experience:* Total work: 1 year (Preferred), Management: 1 year (Preferred)

*Language:* Hindi & English Start Date: 15/07/2022

*Source:* <https://www.indeed.com/hire/job-description/retail-store-manager>, 15/07/2022 (accessed on: November 20<sup>th</sup> 2022)

### ***Job Specification***

A job specification is an official document, which describes the duties, skills and abilities, minimum qualification and knowledge required to perform a job. Thus, a job specification gives the actual requirements of the job, along with the expectation and standard of performance.

### **Recruitment**

Recruitment is the process whereby an organization induces suitable people to apply for employment vacancies by making them aware that such vacancies exist. The primary purpose of recruitment is to develop a pool of qualified applicants that is large enough to enable the organization to make selective hiring decisions. Some of the steps in the recruitment process have been discussed below:

#### ***Identifying Prospective Employees***

Identifying the right employee becomes a problem for any retail organization due to the demographic changes that reduce the size of the labor pool. The prospective employees for any job are the people who respond to the advertisement. They could be employees of a competitor store, friends of the employees, referrals from employment agencies etc.

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Based on the requirement of the retail store, the store manager can choose the employees. For example, some stores prefer to hire elderly applicants as they believe that they possess higher work ethics compared to younger applicants.

##### ***Screening Applicants***

The applicants are screened based on job description and job specification. Based on the minimum requirements of the retail store, the store personnel do the initial screening of employees themselves. The minimum requirements include, educational qualification, oral and written communication skills, experience of the applicant etc. Apart from the above-mentioned criteria, retailers also consider certain physiological, psychological, and motivational attributes of an applicant.

##### **Selection**

Once a retailer gets a list of eligible employees, he should select the candidate who matches the job requirements best. Retailers should gather additional information like personal attributes, skills, past performance regarding the applicant to verify his fit to a job. For an error free selection procedure, the store managers use various selection methods like:

- Application forms
- Reference checks
- Personal interviews
- Testing instruments
- Physical examinations
- Final selection

##### ***Application Forms***

Application forms/blanks enable the employer to know about the applicants' history relating to his education, work experience, reasons for leaving the previous job(s), hobbies etc. Normally, an application form includes the personal data of the applicant along with his employment history and experience, educational qualification, his personal tastes, and preferences.

The applicant is tested at the interview based on the data collected through the application form. Apart from this, the experience of the applicant plays a crucial role in revealing the nature of the applicant, whether he is a frequent job changer or not. Exhibit 11.2 depicts an application format used to collect data from the applicants.

**Exhibit 11.2: Application Form (Retail Recruitment)**

Name: \_\_\_\_\_

(Last/First/Middle)

Address: \_\_\_\_\_

(Street No./City/State/Zip)

Telephone: \_\_\_\_\_ Email Address: \_\_\_\_\_

Are you 18 years of age or older? \_\_\_\_\_ Yes \_\_\_\_\_ No

If hired, can you provide written evidence that you are authorized to work in India \_\_\_\_\_ Yes \_\_\_\_\_ No

**EDUCATION**

| Type                  | Name/Location | Course of Study | # Years Completed | Degree/ Diploma |
|-----------------------|---------------|-----------------|-------------------|-----------------|
| Elementary & Jr. High |               |                 |                   |                 |
| High School           |               |                 |                   |                 |
| College               |               |                 |                   |                 |
| Technical or Other    |               |                 |                   |                 |

**EMPLOYMENT RECORD**

| Company Name and Address | Kind of Work | Date: Started/Left | Rate of Pay | Reason for Leaving |
|--------------------------|--------------|--------------------|-------------|--------------------|
|                          |              |                    |             |                    |
|                          |              |                    |             |                    |
|                          |              |                    |             |                    |
|                          |              |                    |             |                    |

*Contd....*



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##### **REFERENCES (Do Not Include Relatives)**

Name/Occupation/Years/Known Address

1. \_\_\_\_\_ 2. \_\_\_\_\_  
3. \_\_\_\_\_

##### **EMPLOYMENT**

Type of Work Desired \_\_\_\_\_

Salary Desired \_\_\_\_\_

How Were You Referred To Our Organization? \_\_\_\_\_

Do You Have Any Relatives Who Are Employed By This Organization?  
\_\_\_\_ Yes \_\_\_\_ No

##### **Applicant's Statement**

I understand that the employer follows an "employment at will" policy, in that I or the employer may terminate my employment at any time, or for any reason consistent with applicable state or federal law; this "employment at will" policy cannot be changed verbally or in writing, unless the change is specifically authorized in writing by the chief operating officer of this organization. I understand that this application is not a contract of employment. I understand that federal law prohibits the employment of unauthorized aliens; all persons hired must submit satisfactory proof of employment authorization and identity; failure to submit such proof will result in denial of employment.

I understand that this application will be active for a period of one year; after that time, if I wish to be considered for employment, I must submit a new application.

I understand that the employer will investigate my work and personal history thoroughly and verify all data given on this application, on related papers, and in interviews. I authorize all individuals, schools, and firms named therein, except my current employer if so noted, to provide any information requested about me, and I release them from all liability for damage in providing this information.

I certify that all the statements herein are true and understand that any falsification or wilful omission shall be sufficient cause for dismissal or refusal of employment.

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

*Adapted from various sources by ICFAI Research Center.*

### ***Reference Check***

After the initial screening of the prospective employee application is complete, unqualified applicants are eliminated. The next step in the selection process is to verify the applicant's information with the references he has provided. This helps the retail store manager to understand the nature of the prospective employee better. The reference check can be made through a telephone or through mail.

### ***Personal Interview***

The next step of the selection process is the personal interview. Conducting a personal interview helps the retail store manager to check the knowledge and skills of the applicant by questioning and observing him personally.

Personal interview is also known as an in-depth interview, one-on-one interview or executive interview. As the interview is one-to-one, the applicant is not influenced by the reactions of others. Personal interview can either be formal and structured or informal and unstructured. In a structured and formal interview, both the applicant and the interviewer formally stick to their assumed roles (of interview) and the communication is highly structured. In an unstructured and informal interview, there is no set pattern that is followed and communication is very informal. The applicant is relaxed and therefore talks more freely to the interviewer.

The number of interview rounds is based on the position for which the applicant is being interviewed. For example, if the retail organization is conducting an interview for salesmen (functional level); the number of rounds of interview will be less, i.e. one or two rounds. If the interview is for the top-level managers, there will be more rounds of interviews. These interviews are conducted to analyze the applicants' knowledge in various store functions like planning, merchandising, pricing, selling etc.

Personal interviews play a crucial role in hiring the right candidate as they help the retail store manager to assess the applicant's attitude, personality, motives and interest in the job he is applying for.

Technological developments have simplified the recruitment and selection process. For instance, initial screening through computers makes the job of the retail manager much easier, and at the same time, reduces the embarrassment to the interviewee.

### ***Testing Instruments***

While hiring an employee, a retailer uses various tests. Tests try to forecast the future performance of the applicant by measuring his intellectual capabilities and his past experience in handling the job. Most of these tests require the prospective employee to provide his responses in a written form and demonstrates his abilities for performing a particular job. These tests are of two kinds- psychological tests and achievement tests.

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### ***Psychological Tests***

Psychological tests help the retail store manager analyze whether the applicant's psychological state suits the job or not. This allows the manager to judge the prospective employee's personality, aptitude, interests, and supervisory skills.

### ***Achievement Tests***

These tests are developed to judge the applicant's job related skills like computing skills, typing skills, analytical skills, book keeping skills and other skills. Often, retailers prefer achievement tests as it is easy to conduct and it is also easier to judge the applicants based on the results of these tests. Moreover, the experience of many retailers may suggest that the applicants who score well in achievement tests are more likely to be successful on the job. However, some retailers are also apprehensive about the effectiveness of these tests in judging the future performance of the applicant.

### ***Physical Examination***

When an applicant fits the job requirement, some organizations request him to undergo a physical examination. Normally, a physical examination is mandatory for individuals who aspire to take up a job in food and drug stores. Nowadays, some organizations ask the applicants to undergo a physical examination to check their fitness, as many retailers provide health and disability insurance.

### ***Final Selection***

Final selection of the applicant is vital in retail store management. Along with subjective and objective evaluation, the retail manager should also use his intuition while selecting the retail personnel.

## **11.4.2 Socializing and Training New Store Employees**

When a retailer hires a new employee, he would expect him to contribute to the success of the organization. At the same time, the new employee would be eager to learn about the organization and his job responsibilities. To serve the mutual interests of the firm and the employee, retail organizations use the socialization process. *Socialization* is a process that focuses on molding the new employee into a productive and committed individual. Retailers design various orientation programs for familiarizing the new employees with other employees, superiors, the work culture etc.

### **Orientation Programs**

A new employee in a retail store usually faces difficulty in adjusting to the new work environment. This can be avoided by conducting orientation programs. The duration of orientation program may vary from one store to another. It can last for a few hours to a few days.

In the employee orientation program, employees are provided with an Employee Handbook, which gives a detailed explanation about the functioning of the retail store along with its reporting relationships and structure, the number of employees working presently and the rules and regulations followed in the retail store. In some retail organizations, a trainer conducts the orientation program. Thus, the orientation program familiarizes the new employee with the rules and regulations and various other operational aspects of the retail store.

However, as employees come from different backgrounds and have varied experience, the management should ensure that all information about the retail store, goods and services provided through the store, and the operations of the store is provided to them.

### ***Functional Training***

Retail stores arrange functional training for their employees to sharpen their basic skills and knowledge to enable them to perform their tasks successfully. The functional training program includes sessions on selling techniques, customer service procedures and inventory control. This type of training increases the employee's knowledge about the product lines in a retail store. This helps him serve the customers better.

#### **11.4.3 Training**

Training programs are conducted by retailers to teach the new employees to perform their jobs efficiently. Training in retailing takes many different forms like class-room presentations, videos, interaction with manufacturer's representatives, one-on-one encounters, role playing, staff meetings, outside seminars and reading material.

#### **Example: At McDonald Training Never Stops**

McDonald, a chain of fast-food restaurant ensures that employees don't stop learning. Amidst nationwide lockdown in 2020, McDonald's restaurant employees were being trained. The Senior Vice President, Menu, Marketing and People Resources said that McDonald is committed to wellbeing and constant training of its employees. To make sure employees are constantly learning McDonald had digital learning modules accessed from a mobile phone. This made use of online quizzes, lessons, master classes and assignments to ensure people are engaged, well connected and motivated.

*Source: McDonald's. (April 7, 2020). McDonald's Team Continues to Learn and Grow at Home. Retrieved from <https://mcdonaldsblog.in/2020/04/mcdonalds-team-continues-to-learn-and-grow-at-home/>. Accessed on 02-08-2022*

The main aim of training is to sharpen the basic skills possessed by the employees and increase the productivity and the efficiency of the store. Training programs also concentrate on improving teamwork, leadership qualities, motivation levels

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and customer service orientation. Training also helps develop confidence within the store personnel and encourages them to challenge the status quo, to question complacency, and to develop improved methods of operation.

Training should be a continuous process. Training in a retail store is generally conducted when new people are appointed, and when new procedures or instruments are introduced. The trainer has to use his intellectual, technical as well as conceptual skills to excel in training.

Training can be of two types:

- Off the job training
- On the job training.

##### **Off the Job Training**

Off the job training is conducted in centralized training classrooms away from the employees' work environment. This type of training program is also known as a structured training program. It can be in the form of lectures, audio- visual presentations, slides and charts, written materials, and group exercises. The duration of such training programs is comparatively lesser than other training programs. Video presentations communicate a consistent message to all employees of the firms, support for training, and enhance the quality of training programs.

##### **On the Job Training**

On-the-job training allows the new employee to learn through observation and imitation, along with a regular feedback from the store supervisor about his performance. Under the supervision of a retail store manager, new employees are assigned their work. Each activity of the employee is monitored by the supervisor. When an employee commits an error, the supervisor tries to correct him by explaining how to overcome the difficulty he experiences. This helps the new employee to sharpen his basic skills required for performing his job in the store through trial and error. The supervisor spends time with the new employee explaining the improvements required. This also boosts the self confidence of the employee.

Failures are common for new employees. It is the responsibility of the store manager to allow the new employees to learn from their mistakes and create an atmosphere where they can try new approaches for providing better customer service.

It is the responsibility of the store manager or the supervisor to spend time with the new employees and explain to them the reasons for the failure of a particular approach and motivate them to adopt a new approach.

### **How to Train**

Employee training increases employee satisfaction, facilitates the updating of skills, leads to increased sense of belonging, increases employee commitment to the organization and strengthens the organization's competitive position. Training can be provided by using any of the following methods:

- Individual training method
- Sponsor training method
- Group training method
- Executive training method

#### ***Individual Training Method***

Under this training method, an individual trains himself ("on your own" approach) to meet the needs of the retail organization. Here, the employee is directly put on the job without any formal training. The employee learns through observation, trial and error method.

Although such training involves no initial cost for the retailer, the retailer's total cost increases eventually because low employee productivity, increase in the number of errors committed by the employees and reduced customer satisfaction.

To eliminate the shortcomings of individual training, retailers use an alternative method called 'programmed learning'. In this kind of training, the new employee is provided with study material describing how a task should be performed. Within a given period, the employee must respond to a given set of questions. Immediate feedback is given to the employee as a response to his/her questions. These procedures continue till the employee develops a satisfactory level of understanding about the ways of performing a task. When the employee performs satisfactorily he is given more material to upgrade his skills further. Thus, training becomes a continuous process.

#### ***Sponsor Method of Training***

Under the sponsorship method, an experienced employee (sponsor) takes the responsibility of training the new store employee. Here, the sponsor is entrusted the duty of introducing the new employee to his colleagues and getting him acquainted with the various activities of the store like buying, selling, promotion etc. Apart from this, the sponsor is responsible for evaluating the trainees' performance and addressing his problems on a regular basis. This type of training program would be successful when experienced employees volunteer to take up the role of a sponsor and such acts are rewarded by the organization.

#### ***Group Training Method***

Under the group training method, a group of new store personnel are trained together through lectures, demonstrations, case studies, role playing activities, computer simulation and interactive videos. Specialized personnel conduct these

## **Block 4: Managing the Retail Store**

training classes. This training method is used by large retail organizations with multiple stores. The unit cost of training is minimal as this method achieves the objective of training a large group within a specific time. The duration of these training sessions may vary depending on its training objectives. For example, a brush - up course for updating the knowledge of the present employees on a new policy may end within an hour, whereas group training for a batch of new recruits may run for a week.

### ***Executive Training Method***

Once an employee's training is over, he has to work under the supervisor/manager to achieve the desired goal of the organization. The supervisor/manager directs co-ordinates and inspects the efforts of the store employee and helps him achieve his individual as well as the store objectives. An effective manager should be able to satisfy the retailer's requirements (performance, loyalty and profit) as well as the employees' needs.

### **11.4.4 Motivating**

Motivation is more important in the retail industry than in any other industry and it plays a significant role in increasing the productivity of the store personnel. This is because the nature of work in retail stores is physically demanding. For example, in a textile store, the store personnel need to keep standing for a long time. They have to do their routine work like re-stocking racks, replacing and re-arranging clothes and other merchandise tried on by customers. These activities can drain out the store personnel quickly. The store manager can play an important role by boosting the employee morale and explaining the positive aspects of their job. Thus, in a retail store, motivation of employees include cultivating leadership qualities in the store personnel, setting targets and maintaining their morale.

Motivation techniques can vary from one retail organization to another. Some motivational factors can be a good working environment, performance based rewards, use of suggestion boxes etc.

Under certain situations like job cuts, layoffs, downsizing and restructuring, the morale of the store personnel falls. An effective store manager should understand that his responsibility is not only limited to decision-making but he is also responsible for motivating the human capital for the long-term growth of the retail organization.

The retail store manager can maintain the store morale by taking a few things under consideration:

- Before opening a new branch or introducing new merchandise, the store manager can call for a meeting, and provide all information about the new branch, merchandise and promotional programs. He should also ask employees to give their opinions and suggestions.

- Educate the store personnel about the store's goals and financial matters. The store manager can also give incentives when they meet set targets.
- Share the total amount that the retailer wishes to spend on charity equally among all the employees and then taking individual suggestions on how to spend their portion of that fund.
- Print the company's goal at the other side of the visiting cards that the company provides to its employees.

#### **11.4.5 Evaluating Store Employees**

Performance evaluation is the systematic assessment of how well employees are performing their jobs in relation to established standards and communicating the same to the employees.

Retail firms evaluate the performance of their employees at every level of the organization to determine their compensation, suitability for promotion or continuation in the organization. If carried out properly, evaluation can fetch the retailer valuable information based on which he can motivate the employees by designing appropriate compensation and employee development programs. The success of an evaluation program depends on the evaluator, frequency of evaluation, the performance variable selected for evaluation and the methods used for evaluation.

##### ***Who Should Evaluate***

Evaluation of employees is generally coordinated by the human resource department of a retail store. For accurate evaluation, the employee should be evaluated by his immediate superior or the manager who oversees his activities. For example, a salesperson can be better evaluated by his department head or manager as they observe him daily.

##### ***Frequency of Evaluation***

Evaluation of the retail personnel is done annually or bi-annually. A periodic evaluation will be advantageous for both the employees and the retail store. From the employee's point, periodic and constructive feedback allows the employee to improve his performance and meet the retail organization's goals and objectives. On the other hand, it allows the organization to assess the need for provide training and development, compensation, and promotions for its employees.

##### ***Evaluation Criteria***

The accuracy of evaluation depends on the factors selected for evaluation and how well they are communicated to the employees. Generally, retailers use various performance characteristics and personal attributes as a basis for evaluation. Performance characteristics include job knowledge, work quality, speed of work, ability to perform under pressure, degree of supervision required,



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relationship with colleagues, customer relationship etc. Personal attributes include leadership qualities, enthusiasm to do work, dependability, willingness to take initiative, creativity, integrity, etc.

##### ***Evaluation Method***

The method selected for evaluating the employees depends on the degree of objectivity and formality desired by the retailer. Most of these evaluation methods are based on quantifiable performance criteria or the subjective judgment of the evaluator. Evaluation can be done in four ways:

- Formal objective evaluation
- Formal subjective evaluation
- Informal objective evaluation
- Informal subjective evaluation

A *formal objective employee evaluation* can be done by evaluating the performance record or by using a method called management by objectives. The performance record gives a quantitative measure of an employees' performance. The performance record includes performance related figures like:

- i. Total sales in rupees
- ii. Total number of sales transactions
- iii. Number of customer complaints
- iv. Number of merchandise returns and their value
- v. Number of times the employee is absent or late for work
- vi. Net sales per working hour or per hourly wage.

The employee is rated after comparing his performance with a pre-determined set of store averages. In this evaluation process, performance objectives are set based on each employee's job description. His performance is then measured to check how successful he had been in achieving the pre-set objectives. When a retail store uses the management by objectives method for job evaluation, employees are requested to prepare a set of objectives for a given time, the methods to accomplish them, the time required to accomplish them, and the measures for evaluation.

*Formal subjective evaluation* methods are based on rating scales and checklists. Here the evaluator has to prepare a list of criteria on which an employee has to be evaluated and then give weightage to each criterion. As more subjective factors are included in this evaluation method, retailers prefer the evaluation done by different supervisors. After taking the rating of the employee from different supervisors, the retailer can take the average score of the employee to evaluate his performance.

In *informal objective employee evaluation*, retailers hire the services of professional evaluators, who pose as shoppers and evaluate the performance of the store personnel. Since this method fails to give a holistic picture of an employee's performance, a retailer should use the results of this method to complement other evaluation methods.

*Informal subjective evaluation* has no structure and is completely based on the supervisor's intuition. Most employees complain against this evaluation method as it has ambiguous criteria and is prone to be affected by the prejudices of the evaluator (supervisor).

### ***Evaluation Errors***

It is very common to commit mistakes while evaluating store personnel. This can be due to various factors like:

- Inadequately defined standards of performance
- Overemphasis on recent performance
- Reliance on gut feeling
- Miscomprehension of performance standards by employee
- Insufficient or unclear performance documentation
- Inadequate time allotment for discussion
- Very talkative manager/supervisor
- Lack of a follow-up plan

The evaluator should neither be too strict nor too lenient while evaluating store personnel. If the evaluator is too strict, he may evaluate the performance of the employee as lower than it actually is. On the other hand, if the evaluator is too lenient, he may evaluate the performance of the employee as better than it actually is. Errors can also occur if the evaluator's opinion about the employee is biased. Sometimes, the evaluator takes into consideration the recent performance of the employee. If an employee has performed poorly during appraisal time, the evaluator considers only his recent performance and rates the employee poorly. To evaluate an employee correctly, the evaluator should also consider the environment in which the employee is performing the particular task.

### ***Compensating***

Retailers use compensation as a tool to reward a store personnel's contribution to the organization and to motivate him to perform better in future. Compensation can be defined as the total value of returns given to employees in exchange for their membership in the organization and for performing the tasks, duties and responsibilities associated with their jobs.

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Compensation is an important factor in attracting talented employees to a retail store. The quality of the employees attracted towards a retail organization depends on the compensation and rewards offered. Compensation does not reflect what they are paid but it reflects how much they are valued in a retail organization.

In a retail organization, rewards are given based on the evaluation done by the store manager. Rewards can be classified as extrinsic rewards and intrinsic rewards.

*Extrinsic rewards* include compensation, promotion, and recognition. To motivate the store personnel, store managers can use any of the above rewards. Though extrinsic rewards motivate the store personnel, the level of motivation they provide varies from one store employee to another. Therefore, the store manager should identify the motivating factor for each store employee and try to provide him the particular extrinsic reward that will motivate him the most. Recognition and appreciation work as positive extrinsic rewards for motivating a store employee. Publicized recognition (in store magazines, notice boards, etc.) can also motivate employees.

*Intrinsic rewards* refer to offering jobs which individuals find interesting to perform. These rewards are inbuilt into the job and come from carrying out an activity rather than being a result of an activity. For example, the intrinsic reward for a salesperson may be the sense of accomplishment and achievement he experiences while selling the merchandise.

### **Compensation Program**

Retail managers sometimes find it difficult to motivate their experienced employees with monetary rewards. These employees reach a saturation point, where the monetary benefits or the prospects for promotion do not appeal to them. Managers should find ways of enriching their jobs and entrusting some additional responsibilities like handling a merchandise category; designing a training program etc., for such employees.

In a retail organization, a salesperson's compensation can consist of a straight salary plan, a straight commission plan, a salary plus commission plan, or a salary plus bonus plan, and fringe benefits.

#### ***Straight Salary Plan***

Under this compensation program, store personnel are paid a specified salary for a given period without any incentives. This compensation program was common among small retailers where they also used salespeople for non-selling activities like stock arranging, merchandise display etc. Since the salary is fixed there would be less resistance from the employee to move from a sales job to a back-end job.

One of the major disadvantages of a straight salary plan is that employees lack incentives to increase the productivity of the store. As the employees receive the same salary, there will be no incentive to work hard. As the salary is fixed, the store has to bear the fixed cost whether sales are generated or not.

### ***Straight Commission Plan***

Under the straight commission plan, employees are compensated based on their productivity. They are paid a commission, which is generally a portion of the sales they generate. They are not paid a fixed amount as salaries. Thus, their earnings depend on how much they sell. For example, Amway employees receive compensation on the basis of the volume of products and services they sell.

Though a straight commission plan generates sales, it has some disadvantages:

- A retailer generally needs to involve salespersons in non-selling activities. But under a straight commission plan, the salesperson will be reluctant to undertake non-selling activities, as they do not generate any additional income for him.
- Under the straight commission plan, commissions vary depending on the merchandise. The salesperson will be interested only in selling expensive and fast moving merchandise, as the commission in this case is high. There is a tendency to neglect other merchandise offered by the store.
- A salesperson, who is compensated under a straight commission plan may ignore customer service as he will be more interested in generating sales and earning more commission.
- This type of compensation plan ignores the employee-customer relationship. Rather than trying to build up customer loyalty, the employee tries to increase sales.

### ***Salary plus Commission Plan***

In this compensation plan, employees earn a monthly fixed salary and a commission based on the sales they generate. Here, the retailer offers lower salaries as compared to straight salary plan. But the commission structure allows the salesperson to earn more than the salary of an employee in the straight salary plan. Under the salary plus commission plan, the salespersons are encouraged to undertake non-selling tasks and concentrate on sales as well, because they get a fixed income in the form of salary as well as incentives or bonus for generating the sales.

### ***Salary plus Bonus Plan***

In the salary plus bonus plan, the store personnel receive a monthly salary, along with a bonus (semiannually or annually) based on their performance. Retailers use this method to compensate the middle and top level store managers. The

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bonus amount depends on measures such as the annual sale of the store, decrease in the total operating cost of the store, return on equity, or the return on investment in the store.

#### *Fringe Benefits*

Fringe benefits include all benefits offered to the employees other than salaries, bonuses, and commissions for the services rendered to the retail organization. For example, a retail store manager can get fringe benefits like paid vacations, paid medical insurance and sick leave. Some retail stores give merchandise discount (varying from 20% to 40%) for its employees. Retirement and health packages offered by the retail store also form a part of the fringe benefits.

#### **Activity 11.1**

Develop an elaborate Job Description to fill the vacancy for Placement Officer / Corporate Relations Officer that exists in your college. Run the JD through the HR wing of the college to identify any discrepancies / deficiencies and present the final draft.

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#### **Check Your Progress - 1**

1. The responsibilities of a store manager can be broadly divided into four categories. What are they?
  - a. Managing store personnel, Minimizing costs, Managing buying and selling activities & Providing customer service.
  - b. Managing store personnel, Minimizing costs, Managing buying and selling activities & Providing security.
  - c. Managing store personnel, Minimizing costs, Managing supply and demand activities & Providing customer service.
  - d. Managing inventory, Minimizing costs, Managing buying and selling activities & Providing customer service.
  - e. Managing store personnel, Minimizing transportation, Managing buying and selling activities & Providing customer service.
2. Which of the following is an official document, which describes the duties, skills and abilities, minimum qualification and knowledge required to perform a job?
  - a. Job evaluation
  - b. Job description

- c. Job analysis
  - d. Job specification
  - e. Job criterion
3. Which of the following processes in an organization induces suitable people to apply for employment vacancies by making them aware that such vacancies exist?
- a. Hiring
  - b. Selection
  - c. Recruitment
  - d. Screening
  - e. Talent acquisition
4. What do you call the type of training when the training for new hire is conducted in centralized training classrooms away from the employees' work environment?
- a. Off the job training
  - b. Away from the job training
  - c. On the job training
  - d. Structured training Program
  - e. Off the job and a well-structured training program
5. Shrinkage is the term used for the reduction in the physical count of the inventory as compared to its accounted value. Inventory shrinkage may be a result of various factors. Which of the following factors do not contribute to inventory shrinkage?
- a. Employee theft
  - b. Shoplifting
  - c. Mistakes and inaccurate records
  - d. Vendor errors.
  - e. Loss of profit

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### **11.5 Legal and Ethical Issues in Managing Store Personnel**

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To be a role-model to the employees and meet the expectations of all stakeholders, it is essential that store managers adhere to certain set of principles. Being placed in key decision making role, his behavior will have tremendous implications on the firm's business. The store manager of a retail organization must abide by the country, state and local laws of the place where the organization functions. The major areas covered under these laws are concerned with hiring of employees in the organization, selection, compensation, their promotion, health, and safety.

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### 11.5.1 Hiring

The Constitution of India ensures all Indians (irrespective of caste, creed, religion, and gender) the right to equal opportunity in matters of public employment.

In 1995, the Government of India passed the Equal Opportunity Act, which ensures disabled people equal opportunities and protection of rights. The Act also covers preventive and promotional aspects of rehabilitation like education, employment and vocational training, job reservation, research and manpower development, creation of barrier-free environment, rehabilitation of persons with disability, unemployment allowance for the disabled, special insurance schemes for the disabled and establishment of homes for persons with severe disability etc.

In the US, Title VII of the Civil Rights Act prohibits the discrimination of employees based on race, national origin, gender, or religion. Discrimination is prohibited in areas like recruitment, hiring, discharges, layoffs, discipline, promotion, compensation, and access to training. Equal Employment Opportunity Commission (EEOC) was setup to monitor the employer's compliance to the Civil Rights Act. If any employer violates this law, he can be sued. The Age discrimination and Employment Act make it illegal to discriminate against individuals while hiring and terminating in the age group of 40 to 70. The Americans with Disabilities Act (ADA) allows employment opportunities for the disabled and requires employers to provide an accommodating work environment for the disabled.

### 11.5.2 Selection

Use of lie detector tests and HIV confirmation tests while hiring is considered illegal in the US. But, testing the prospective employees for drug abuse is permitted because hiring a drug addict may result in increased medical bills and productivity loss to the retailer.

#### **Example: Amazon Revised Marijuana Testing Requirement in its Selection Process**

Amazon the multinational online retailer in 2021 announced that it would no longer screen most of the job candidates for the use of marijuana. In the past the company had disqualified people from working at Amazon if they had tested positive for marijuana. However, as US state laws changed, marijuana became legal in many states and Amazon hold facilitation centre at these states. Amazon would no longer include marijuana in its comprehensive drug screening program. Still the company would continue to do impairment checks while on the job and test for all drugs and alcohol in case of any incident.

*Source: O'Kane, C. (June, 2021). Amazon will no longer test most job applicants for marijuana. Retrieved from <https://www.cbsnews.com/news/amazon-marijuana-test-job-applicants/>. Accessed on 17-10-2022*

### **11.5.3 Compensation**

The Government of India passed various acts to ensure that the employers pay equitable wages to its employees and ensure their welfare. For example, the Minimum Wages Act, the Payment of Bonus Act, the Payment of Gratuity Act, and various Social Security acts (such as Provident Fund Act, Employee State Insurance Act, Maternity Benefits Act, Workmen's Compensation Act, the Equal Remuneration Act, Prohibition of Child Labor Act etc.) are few of the acts passed by Government of India to protect workers' interest.

In the United States, the Fair Labor Standards Act of 1938, set minimum wages, maximum working hours, child labor standards and overtime pay provisions. This prevents the employers from hiring laborers for low-wages and using child labor in their organization.

In India, the Equal Remuneration Act of 1976, provides equal remuneration<sup>1</sup> for the same or similar work<sup>2</sup> irrespective of gender. It ensures that the employers do not discriminate the workers performing same or similar work (on the basis of gender) with regard to payment or any terms or conditions of employment (such as promotion, training or transfer).

Employees' State Insurance Scheme of India is an integrated social security scheme tailored to provide social protection to workers and their dependents during contingencies such as, sickness, maternity and death or disablement due to an employment injury or occupational hazard.

#### ***Labor Relations***

In the United States, the National Labor Relations Act legalized labor organizations, and prohibited employers from engaging in unfair labor practices. A National Labor Relations Board (NLRB) was also established. It was responsible for conducting union elections and resolving cases related to unfair practices.

### **11.6 Cost Control**

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Technological development and globalization have played a major role in changing the retail strategies of an organization. Globalization and technological progress increased competition among retail organizations. Moreover, the new store formats like hypermarkets and discount stores are adopting novel pricing strategies. To survive and retain customers in this competitive environment, the retailer has to reduce the prices either by reducing his profit margin or by reducing

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<sup>1</sup> Remuneration is defined as the basic wage or salary and includes payments in kind.

<sup>2</sup> "Same or similar work" is defined as work in respect of which the skill, effort and responsibility are the same when performed under similar working conditions or where any differences are not of practical importance in relation to the conditions of employment.



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the operating cost. The latter, more commonly known as cost control measures, helps a retail firm to monitor, evaluate the finally improve efficiency in its operations. Incorporating RFID technology by many retail businesses is one such act of cost control, among its varied applications, it reduces labor cost who physically check the items in the store.

Globalization has made it possible to produce a product at one place, use resources from another place, and sell it elsewhere. At the same time, customers have become selective and more knowledgeable, thus becoming more demanding. So retail organizations should sell products of superior quality and provide world class service to their customers. They should also try to create unique store brands and capture new markets through increased employee productivity and proper technology utilization.

In a retail organization, the major operating costs emerge from labor, store maintenance and energy management.

#### **Labor Scheduling**

Labor cost constitutes a major part of the operating expenses of a retail organization. The success of retailers also depends on how efficiently they use their services to generate sales. Labor scheduling is the process of determining the optimal number of employees to be assigned to each area of the store at a particular time, in order to serve the customers effectively. Labor scheduling becomes difficult in a retail store as the retailer requires to schedule labor, over extended business hours (usually 12 hours, which means more than one shift). Irregular customer traffic flow at different hours of the day and different days of the year make the retail store manager's job more difficult. As the customer traffic in a retail store varies and cannot be predicted, scheduling of labor should be done in such a way that the employees are available 12 hours a day, 7 days a week and 365 days of the year.

As the traffic flow of a retail store depends mainly on the attitude and behavior of the store personnel, it is important for the store to manage them effectively and efficiently.

The major operating cost of retail stores is in the form of salaries paid to store personnel. If the store manager wants to reduce the operating cost of the store, he has to schedule labor in such a way that customer service is not affected at any point of time. Scheduling can be made easier with the application of computer software which can reduce the operating cost of scheduling by 2 to 5 per cent.

#### **Store Maintenance**

Store maintenance includes the activities of managing the exterior and interior physical facilities associated with the stores. The exterior physical facilities

include, the parking place, the entrance of the stores and the signs outside the stores. The interior facilities include, the walls, floorings, ceiling and displays and signs.

A well-maintained retail store attracts more traffic and generates more revenue. Maintaining the store is quite expensive and therefore, it should be done properly and regularly. If the store is not maintained properly, it shortens the lifespan of fixtures, floors and air conditioners.

### **Energy Management**

Energy is a major operating expense for the retail organization. More retailers are relying on technology to reduce the cost of energy. Energy management is crucial for food retail stores, which use high power consuming storage equipment.

### **Reducing Inventory Shrinkage**

Shrinkage is the term used for the reduction in the physical count of the inventory as compared to its accounted value. Shrinkage has become a serious problem for many retailers the world over. It even threatens the very existence of some retailers as these losses eat into their already dwindling profit margins. Inventory shrinkage may be a result of various factors like:

- Employee theft
- Shoplifting
- Mistakes and inaccurate records
- Vendor errors

Generally, employees resort to theft as they feel that they are underpaid, or they deserve a part of the retailer's profits. The items that are prone to employee theft include, cash at the POS, merchandise and supplies like paper etc. Shoplifting by customers account for 34 percent of the inventory shrinkage losses. Apart from theft by employees and customers, losses due to administrative errors and vendor fraud account for 23 per cent of shrinkages. Examples of this type of shrinkage are unrecorded markdowns, transfers, allowances, damaged goods, mis-recording sales and/or receipt invoices and similar inaccuracies in book-keeping. Administrative errors may include unrecorded inventory, price fluctuations and other book-keeping errors.

### ***Calculating Shrinkage***

Shrinkage is the difference between the recorded value of inventory based on the merchandise bought and received, and the value of the actual inventory in stores and distribution centers divided by retail sales during a particular period. Retailers usually use retail prices while calculating the value of shrinkage.

To maintain the retail method of accounting system for calculating shrinkage, one should carefully record all retail inventory transactions: purchases, sales, price

#### Block 4: Managing the Retail Store

changes, transfers (among stores), returns to vendors, and employee discounts to calculate book value (at retail) of the inventory. The calculation of book inventory value would be as follows:

$$\text{Book Inventory (at retail)} = \text{Total Merchandise} - \text{Net Sales} - \text{Markdowns (retail)} - \text{Employee Discounts} - \text{Returns to Vendors (retail)} - \text{Transfers Out (retail)}$$

where,

$$\text{Total Merchandise} = \text{Opening Inventory (at retail)} + \text{Purchase (at retail)} + \text{Markup Additions} + \text{Sales Returns (from customers)} + \text{Transfers In}$$

Once the book inventory value is ready, the actual value of inventory is calculated by counting the physical inventory. The difference between the book value and the actual value of inventory counted will give the value of shrinkage. A retailer can get the shrinkage percentage (on sales) by dividing the shrinkage value by retail sales generated in the period.

For example, if the accounts show the book inventory value at ₹ 1,00,000 and the actual count of inventory shows ₹ 92,000, and sales were ₹ 4,00,000, the shrinkage would be:

$$(\text{₹ } 1,00,000 - \text{₹ } 92,000) \div \text{₹ } 4,00,000 = 1/50 \text{ or } 2 \text{ per cent}$$

#### Detecting and Preventing Shoplifting

As mentioned earlier, inventory shrinkage in a retail organization can take place due to various reasons like error or fraud by the vendor, administrative error, loss in transit, and shoplifting by employees or customers. It can take place at any point of time and at any place i.e., on the shop floor, or out of the store at the warehouse or distribution center, or even in transit. Among all the reasons for inventory shrinkage in a retail organization, shoplifting is considered as the main form of inventory shrinkage. The loss due to shoplifting can be reduced by improved store design, employee training and special security measures.

##### **Example: Target Uses Shoppers' Face IDs to Trace and Punish Shoplifters**

Target, an American retail store made use of surveillance on shoppers using face ID. It utilized ongoing profile of shoplifters until they have stolen merchandise worth of \$500. They can be arrested and receive a felony charge once this amount of theft is made by them instead of petty theft.

*Source: Mannino, S. (December 1, 2021). Facial Recognition in Retail Stores. Retrieved from <https://www.sergiomannino.com/insights/facial-recognition-in-retail-stores>. Accessed on 02-08-2022*

***Store Design***

While designing a store, it is essential for retailers to give due consideration to security. The store should be designed in such a way that the exit doors and the trial rooms are visible to the shop floor employees. In addition, adequate care should be taken to ensure that no small-high value merchandise is allocated display space near the exit doors or the trial rooms. In India, some stores have incorporated security measures in the basic store design itself.

For example, in some retail shops, employees are not allowed to enter or exit through the main gates. A staff room is provided to the employees, where they have to keep their belongings before they enter into the shop floor. The anti-theft detection panels, anti-theft spider wraps, tamper evident tags and security label deactivators are some of the anti-theft mechanisms and tools used to prevent shoplifting and other malpractices to avoid retail sales shrinkage

***Employee Training***

If trained properly, employees can act as the retailers' best guards for preventing shoplifting. Retailers should therefore train their employees to identify shoplifters and situations that foster theft. It helps the employees to know the various kinds of shoplifters so that they can deal with them accordingly.

***Security Measures***

Technological developments have helped prevent inventory shrinkage. Sophisticated and advanced equipment like Closed Circuit Televisions (CCTV), Electronic Artificial Surveillance (EAS), and Source Tagging have brought about drastic changes in the way security is maintained.

***Closed Circuit Television***

Closed Circuit Television (CCTV) is a television transmission system. Here, live or pre-recorded signals are sent over a closed loop to a finite and pre-determined group of receivers. They are sent through coaxial cables or as scrambled radio waves that are unscrambled at the point of reception. Retail stores often install CCTV cameras to safeguard against theft and robbery. Television screens are linked to cameras installed on the shop floor. The monitoring screen could be in a control room or at the cash counters. With the help of this, a single person can observe and manage the entire store.

CCTVs can also help the retailer monitor customer behavior, maintenance personnel, store cleanliness, vendor deliveries and the progress of renovations. They can also be used to check whether or not the SKUs are stocked, displays are set up, and customers are efficiently served at the checkout counters. In addition, CCTVs can be used to pass instructions to the shop floor employees for achieving better coordination.

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### ***EAS Tagging***

Electronic Artificial Surveillance systems are designed to help retailers increase their sales and profits by reducing shoplifting and increasing open merchandising opportunities. It includes detection systems or STRATA lines at the checkout or exit of a store. The system works with small electronic tags or labels that are affixed on the merchandise. These tags or labels are either “turned-off” or removed at the billing counter. If merchandise is removed from the store with an active label or tag still attached, an alarm will sound, alerting the sales personnel.

EAS tag functions on three different technologies:

- Radio frequency identification
- Acoustic magnetic
- Electromagnetic

*Radio Frequency Identification (RFID)* refers to wireless electromagnetic energy that is transmitted in the form of waves that increase and decrease in amplitude or size. This technology is best suited for identification, tracking and control of valuable assets.

*Acoustic Magnetic:* These are magnetic waves used to detect any shoplifting. These are also called Tell Tags. A Tell Tag is an intelligent “talking” tag with an embedded computer chip that activates an audio alarm in the tag that is amplified by an acoustic tone detector in the store ceiling. The tag will beep until a salesperson removes it from the merchandise. If the merchandise is taken beyond the store perimeter, the tag will beep loudly, enabling store personnel to identify the shoplifters in a crowd. In India, major department stores are using the acoustic magnetic system to avoid theft.

*Electromagnetic tags* use electromagnetic waves for the same function.

### ***Source Tagging***

Source tagging is the process of applying anti-theft RFID labels to products or packages during the manufacturing process.

### ***Reducing Employee Theft***

Employee theft is one of the most common problems faced by retailers. To reduce employee theft and shoplifting, retailers should repose trust in their employees and provide a supportive work environment. Employees should feel that they are respected and are a part of the organization. This feeling will increase their productivity as well as reduce the tendency to steal.

Some of the activities undertaken by retailers to reduce the employee theft in a retail store are screening prospective employees, using security personnel and establishing security policies and control systems.

***Screening Prospective Employees***

Employee theft can be prevented to an extent by screening prospective employees. To screen out potentially dishonest employees, retailers use paper and pencil honesty tests and reference checks. In the same way, to avoid recruiting drug addicts, retailers can ask the prospective employees to submit a drug test certificate as a condition for employment.

***Using Security Personnel***

Retailers in India are outsourcing the security functions to various agencies. These agencies allocate security guards based on the value of merchandise and the size of the store. Shoppers' Stop, Naganis, and Crossroads are using such security guards to ensure safety in their stores.

Other than security personnel, retailers use undercover shoppers to identify and detect employee theft. Undercover shoppers act as shoppers and check whether the salesperson is reporting transactions accurately or not.

***Establishing Security Policies and Control Systems***

Many retailers draft policies to govern some activities that may lead to theft. For example, retailers can check the POS activity using computer software. Retailers can keep a watch on the POS terminals that record above average number of returns, as this may be due to some handy work of employees.

**Activity 11.2**

Retail shrinkage occurs due to several reasons like: Supplier fraud, shoplifting, employee theft, damage to inventory etc. Visualize yourself as the loss control manager of a leading retail outlet in a metro city and list out the measures you would take to minimize the retail losses due to such malpractices.

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**Check Your Progress - 2**

1. In a retail organization, a salesperson's compensation can consist of many types of plans. Which of the following is not a compensation plan used by retail organization for compensating their employees?
  - a. Straight salary plan
  - b. Salary plus bonus plan
  - c. Bonus plus commission plan
  - d. Salary plus commission plan
  - e. Salary plus bonus plan, and fringe benefits

#### **Block 4: Managing the Retail Store**

2. In a retail organization, cost control is important to ensure growth and sustainability in the long run. From which of the following, the three major operating costs impacting retail operation emerge?
    - a. Labor, Store maintenance and Security management
    - b. Labor, Store maintenance and Energy management
    - c. Labor, Store management and Energy management
    - d. Safety, Store maintenance and Energy management
    - e. Labor, Store maintenance and Customer management
  3. Technological developments have helped prevent inventory shrinkage from theft and shoplifting. Which of the following is not a technological tool deployed for reducing shrinkage in retail organization?
    - a. Closed Circuit Televisions (CCTV)
    - b. Electronic Artificial Surveillance (EAS)
    - c. Source Tagging
    - d. Changing floor plan and placing mirrors in blind spots
    - e. Inventory management tools
  4. Employee training increases employee satisfaction, facilitates the updating of skills, leads to increased sense of belonging, increases employee commitment to the organization and strengthens the organization's competitive position. Which of the following is not a Training method used for training employee?
    - a. Individual training method
    - b. Corporate training method
    - c. Sponsor training method
    - d. Group training method
    - e. Executive training method
  5. An Act aims at providing better working conditions in factories and ensuring minimum standards of safety, health and welfare of factory workers. The Act was amended in 1987 to lay down guidelines /safeguards with respect to the handling of hazardous substances. Which of the following acts was referred here?
    - a. Factories Act, 1948
    - b. Factories Act, 1949
    - c. Factories Act, 1938
    - d. Factories Act, 1947
    - e. Factories Act, 1940
-

### 11.7 Summary

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- Store personnel play a major role in attracting and retaining customers in a retail store. Without productive labor, no merchandise and operational plans can be successful. Store personnel are the most productive assets in a retail store, who can increase or decrease the store's profit.
- This unit discussed the various processes of recruitment and selection to build an effective team of store personnel. Once an applicant is selected for a retail position, he has to undergo various training programs wherein his basic skills can be sharpened according to the requirements of the retail store.
- Store personnel can easily get tired and depressed as their work is monotonous and they have to deal with different types of customers daily. The store manager should boost the morale of the store personnel to retain them in the store.
- The store manager also needs to conduct a periodic review regarding the performance of its store personnel, and reward them accordingly.
- It is imperative on the part of retailers to be acquainted with the legal and ethical aspect of retail operations. They should be aware of all statutory laws governing the trade.
- Shrinkages and leakages in retail operations is affecting the bottom line and retailers are adopting various modern security systems and technological tools to prevent the losses arising out of shrinkages and leakages.

### 11.8 Glossary

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**Extrinsic Rewards:** It includes compensation, promotion, and recognition.

**Fringe Benefits:** It includes all benefits offered to the employees other than salaries, bonuses, and commissions for the services rendered to the retail organization.

**Intrinsic Rewards:** It refers to offering jobs which individuals find interesting to perform. These rewards are inbuilt into the job and come from carrying out an activity rather than being a result of an activity.

**Job Analysis:** It is the systematic analysis of an existing or proposed position or group of positions within an organization.

**Job Description:** It is a clearly written statement that explains the duties, responsibilities, qualifications and performance expectations of a particular retail employee.

**Job Specification:** It is an official document, which describes the duties, skills and abilities, minimum qualification and knowledge required to perform a job.

**Off the Job Training:** This type of training is conducted in centralized training classrooms away from the employees' work environment. This type of training program is also known as a structured training program.



## Block 4: Managing the Retail Store

**On-the-Job Training:** Learning through observation and imitation, along with a regular feedback from the store supervisor about trainees performance is called on the job training.

**Radio Frequency Identification (RFID):** It refers to wireless electromagnetic energy that is transmitted in the form of waves that increase and decrease in amplitude or size. It is a security tag used in retail industry to prevent leakages and shrinkages.

**Recruitment:** It is the process whereby an organization induces suitable people to apply for employment vacancies by making them aware that such vacancies exist.

**Shrinkage:** It is the term used for the reduction in the physical count of the inventory as compared to its accounted value.

### 11.9 Self-Assessment Test

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1. What are the various steps in the process of retail personnel management? Explain.
2. What are the selection methods used by store managers for selecting new employee in the organization?
3. What are the different training methods used for training new employee in the organization?
4. Discuss compensation acts in India.
5. Explain the measures being taken by retailers in India to reduce and eliminate inventory shrinkage.

### 11.10 Suggested Readings/Reference Material

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1. Giri Arunangshu and Chatterjee Satakshi, "Retail Management: Text & Cases" Paperback, PHI Learning Pvt. Ltd., 2021.
2. Swapna Pradhan, "Retailing Management: Text and Cases", McGraw Hill, Sixth Edition, 2020.
3. Barry Berman, Joel R Evans, Patrali Chatterjee and Ritu Srivastava, "Retail Management", Thirteenth Edition Pearson Education, 2017.
4. Gibson G. Vedamani, "Retail Management", 5<sup>th</sup> edition, Pearson Education, 2017.

### 11.11 Answers to Check Your Progress Questions

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1. (a) **Managing store personnel, minimizing costs, managing buying and selling activities and providing customer service**

The responsibilities of a store manager can be broadly divided into four categories. These are: Managing store personnel, minimizing costs, managing buying and selling activities and providing customer service.

**2. (d) Job specification**

Job specification is an official document, which describes the duties, skills and abilities, minimum qualification and knowledge required to perform a job.

**3. (c) Recruitment**

Recruitment is the process whereby an organization induces suitable people to apply for employment vacancies by making them aware that such vacancies exist.

**4. (e) Off the job and a well-structured training program**

The training for new hire is conducted in centralized training classrooms away from the employees' work environment. This type of training is known as off the job training/structured training program. Hence the answer is option 'e'.

**5. (e) Loss of profit**

Inventory shrinkage may be as a result of various factors like, Employee theft, Shoplifting, Mistakes and inaccurate records, and Vendor errors. Out of the various options given, option 'e', loss of profit is not a reason for the occurrence of shrinkage.

**6. (c) Bonus plus commission plan**

In a retail organization, a salesperson's compensation can consist of Straight salary plan, Salary plus bonus plan, Salary plus commission plan & Salary plus bonus plan, and fringe benefits.

**7. (b) Labor, store maintenance and energy management.**

In a retail organization, cost control is important to ensure growth and sustainability in the long run. The three major operating costs impacting retail operation emerge from, labor, store maintenance and energy management.

**8. (d) Changing floor plan and placing mirrors in blind spots**

Technological developments have helped prevent inventory shrinkage. Equipments like CCTV, Electronic Artificial Surveillance (EAS), and Source Tagging have been deployed widely and they have brought about drastic changes in the way security is being maintained. Except for option 'd' which is changing the floor plan and placement of mirrors, all other prevention measures use technology.

**9. (b) Corporate Training Method**

Employee training can be provided by using any of the following methods. Individual training method, Sponsor training method, Group training method and Executive training method

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- 10. (a) Factories Act, 1948** aims at providing better working conditions in factories and ensuring minimum standards of safety, health and welfare of factory workers. The Act was amended in 1987 to lay down guidelines /safeguards with respect to the handling of hazardous substances.

## Unit 12

### Store Layout, Design, and Visual Merchandizing

#### Structure

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- 12.1 Introduction
- 12.2 Objectives
- 12.3 Creating a Store Image
- 12.4 Store Exteriors
- 12.5 Store Interiors
- 12.6 Store Security
- 12.7 Summary
- 12.8 Glossary
- 12.9 Self-Assessment Test
- 12.10 Suggested Readings/Reference Material
- 12.11 Answers to Check Your Progress Questions

*“You walk into a retail store, whatever it is, and if there's a sense of entertainment and excitement and electricity, you wanna be there.”*

- Howard Schultz, an American businessman and author and chief executive officer of the Starbucks Coffee Company

#### 12.1 Introduction

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Your retail store is a blank canvas - how you design the floor plan and use space can affect your customers' desire to buy your products.

While online facilitates purchase of music instruments after enough research by a customer sitting at home, have you ever thought why he/she goes all the way to Musée Musicals to buy his/her favourite music instrument? All the more when the same instrument is available at a neighbourhood store, at a lower price? Musée Musicals has redefined shopping for musical instruments. Their store design and visual merchandising initiatives provide an enduring shopping experience to the customers. Musée Musicals has redone its interiors by transforming the traditional store to ‘Experiential Music Zone’ stacked with three floors. Instrumental music being played on all three floors, this store has visitors comprising legends and music students alike.

While planning, and developing the store environment, retailers should consider the impact of various physical and psychological factors on customer behavior

## **Block 4: Managing the Retail Store**

and store functions including employee performance. The store operations and customer behavior patterns will improve if the interior and exterior of the store are well planned and well designed. The physical environment of a store constitutes tangible elements like land, building, equipment and fixtures, put together creatively for the convenience of customers. The psychological environment of a store is as important as its physical environment. It is an imaginary atmosphere created by the retailer, that is, an image of the store in the customer's mind. The effectiveness and distinctness of a retailer lies in its ability to plan, develop, and control the physical and psychological environment of the store. The image and the buying environment of a store determine the psychological impact that a store has on its customers.

The previous unit discussed store management. In this unit, we analyze the various factors that should be considered by a retailer while setting up a new store or renovating an existing one.

### **12.2 Objectives**

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After reading through this unit, you should be able to:

- Recognize the importance of creating a store's image for attracting customers
- Analyze the part played by store exteriors that conveys the store's image
- Design the store interiors for maximizing sales through satisfied customers
- Analyze the significance of store security for controlling pilferages
- Practice credit management techniques to reduce losses.

### **12.3 Creating a Store Image**

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"You never get a second chance to make a first impression" is the mantra of retail stores in this modern world. A store image is an embodiment of its brand, a way to stand-out from its competition and be remembered by its customers.

Until some years back, in order to fabricate a store, the main preference for the vendor to make was to pick the area and exhibit the products on the racks of the store. However, these days, with the market getting progressively immersed, the consumers usually make their buying choices dependent on the store image than on its substantial physical characteristics. The retail locations have images of their own that serve to impact the apparent nature of items they convey and the choices of buyers with respect to where to shop. The retail store image can be the key achievement factor, for gaining competitive advantage for a retail organization. The significant foundation of this competitive advantage for the retailers is mainly found in the value conveyed to consumers, through the recital of their respective store functions/activities. This value delivered must be resolutely based on the client needs and values, and may contain both physical or useful and

## Unit 12: Store Layout, Design and Visual Merchandizing

subtle or emblematic components. In this way, it is crucial that the retail stores comprehend the store image significance in the positioning strategy. The achievement or failure of retail stores can be ascribed to undertested or underemphasized components of their image. That is the reason why various retail chains are progressively focusing on client assistance and the arrangement of a charming shopping experience, as opposed to concentrating on value advancements.

Designing the exterior and interior of a store are the key aspects of the store design process. Designing the exterior of a store refers to the overall architectural aspects of what a customer sees before entering the retail store. These aspects include the colors and materials used, signage, windows, security, and the main entrance. Interior designing of a store deals with managing the layout, determining the value of space, managing the flow of customer traffic and the merchandise and complementary merchandise placements. Interior designing takes care of the various store elements: displays, fixtures, floors, colors, lighting, ceiling, and the security.

Though exterior and interior designing form a major part of the store layout designing process, there are other important elements like insurance, computerization, credit management and crisis management that a retailer must consider. In this unit, we will discuss store exteriors, store interiors, store security, insurance, credit management, computerization, and crisis management. Before examining the various elements of store design, it is appropriate to discuss the need for creating a store image and a buying environment.

Creating an image of the store in the customer's mind is one of the primary concerns of a retailer. Building the store image is one of the most powerful tools for drawing customers towards the store, and satisfying them. Because an image is a mental impression formed in the human mind because of various stimuli, creating an image is an extremely difficult task. The various stimuli consist of the retailer's physical facilities, its location, the merchandise offered and services provided, the pricing policies, and the promotional activities. The image of a store comprises how the consumer feels about the store. Therefore, retailers must be sure about how they want their store to be perceived by the customers. Though there are several factors that determine a store image, it is the integration of all these factors that creates the overall store image. The following factors contribute to the overall store image:

- The quality of the merchandise offered, prices and the merchandise assortment
- Advertising, external attractiveness, salesmanship and fashionability
- Convenience of location, products offered, shopping experience, ease in transaction, strength of the image, and clarity of message

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- Cleanliness of the premises, credit facilities, keeping in line with the level of customer sophistication, friendly sales personnel, free space inside and outside the store
- Operational efficiency, and physical and technological factors
- Design, ambience, and social factors

The exterior and the interior design of a store are some of the key determinants of a retailer's image. There are many factors concerning the exterior of a store that represent its image: store's location, its architectural design, its facade, the positioning of the signs, the entrance, and the display windows. The image of the store's interiors can be created partly through the layout of the departments, traffic aisles, and store displays and partly by careful selection of fixtures and other equipment.

### 12.3.1 Creating a Buying Environment

To create a friendly buying environment, the retailer or the store should create an atmosphere that would boost the customers' buying spirit. Of late, an increasing number of consumers are attracted towards a safe, attractive, and comfortable shopping environment. The atmosphere of the store should be comforting for the consumers as well as the retailer. Retailers always try to create store environment that would have positive effect on the buying behavior of the consumers. A buying atmosphere can be effective only if it can appeal to the five senses of the consumer: sight, audibility, smell, touch, and taste.

#### **Example: Harper & Grey House Creates Store Image With Greeneries**

CallisonRTKL is a global architecture, planning and design firm. The associate vice president at CallisonRTKL, Joey-Michelle Hutchinson says that plants in retail environment reduces stress, increase quality of indoor air also absorbs any noise pollution. Plants in retail store not only purify the air and but also makes store more inviting and appealing. Hence, he advocates to incorporate plants into store designs.

The US based homeware retailer Harper & Grey House makes use of this philosophy. Plants are a staple in their displays and the greens do a tremendous job in accentuating their merchandise. Doing so makes it display more attractive, while creating healthier and more pleasant shopping experiences.

*Source: Nicasio, F. (May 4, 2022). 16 Retail Display Ideas to Try in Your Store. Retrieved from <https://www.vendhq.com/blog/retail-display-ideas/>. Accessed on 05-08-2022.*

## 12.4 Store Exteriors

Generally, the first impression of a customer about a store is formed by its exteriors. The exterior of a store plays a vital role in attracting new customers and retaining the existing customers. Therefore, the retailers should plan the exterior

of their stores carefully. The store exterior has a powerful impact on the store image. The exterior of a store includes its signboard, its entrance(s), windows, lighting, and the color of the building. The exterior of a retail store can convey various types of store images - conservative, trendy, rich, discount and so on to its target customers. Therefore, the retailer should not overlook the fact that the exterior of a store determines the image of the store, especially in the case of new customers. Retailers, while planning their store exterior, may consider any of the following options:

- **Modular Structure:** A single piece of rectangular or a square structure that is attached to many other stores.
- **Pre-fabricated Structure:** An external frame that is built in a factory and assembled at a store.
- **Prototype Structure:** The exterior of all the stores of a retailer are the same, as the retailer may seek consistency in its store exteriors and interiors. These types of structures are adopted by most of the retail chains.
- **Recessed Structure:** A store in which the customers must walk in a small distance to see the exteriors.
- **Distinct Structure:** A unique structure of the building, for instance circular, oval or semi-circular.

There are several other ways in which a retailer can enhance the store image. Creating fountains, lawns, benches, and plants can enhance the exterior image of a store.

### **Marquee**

Of the various elements that make up a store's exterior, the marquee is the most significant, as it displays the store name. A marquee typically carries the store name, along with its trademark and other relevant information like captions. It is usually a painted signboard, or a neon light or a glow signboard. To be effective, a marquee should be unique and should be able to catch the attention of the target customers. It may be a strong image determinant, as it can be subdued and subtle, or flashy and gaudy. Such features of a marquee contribute largely to the building up of the store image. For instance, McDonald's Golden Arch is the most popular marquee in the world.

### **Entrances**

Store entrances make another significant element to be considered carefully while planning the store exterior. The retailers should first determine the number of entrances. Small retailers usually have a single entrance, while large retailers can have three or more entrances. Ideally, a store should have two entrances, to draw both the pedestrian (by the front entrance) and vehicular traffic (by the rear or side entrance). Both these entrances must be designed differently, as they serve



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different purposes. However, increasing the number of entrances has a drawback; it runs the risk of pilferage. Some retailers even close the additional entrances because of security reasons.

### **Door Types**

Selecting the type of door is another factor worth considering while planning a store's exterior. There are many types of doors that a retailer can select - regular, revolving, electric, self-opening, push-pull or climate controlled. A climate-controlled door is an open entrance with an air curtain, whose temperature is set at the same level as inside the store. This type of door eases traffic congestion at the entrance and allows the customers to see the interior of the store. Once the type of door is selected, the retailer must select appropriate flooring for the entrance - cement, tiles or a carpet.

### **Walkways**

Walkways play a very important role in building up a store's exterior image. A wide and rich walkway makes a unique feature of a store's image, when compared to narrow and constrained walkway. While constructing a store, the retailer should ensure that ample space is available for a walkway.

### **Display Windows**

Display windows play a major role in projecting a strong image of the store. These help the customers identify the store and the merchandise offered, and motivate the customers to enter the store. Display windows provide a lot of information to customers about the store. They carry the following benefits:

- Creating a mood by displaying the merchandise being offered
- Conveying the store's 'contemporariness' by displaying seasonal merchandise or merchandise that is currently in fashion.
- Attracting the price sensitive customers by displaying merchandise that is on 'sale'.
- Catching the attention of pedestrians by displaying eye-catching goods that are not linked directly with the merchandise being offered.
- Show its concern towards the society by displaying messages that are for the common good of the public.

Creating good display windows requires considerable amount of planning. Most of the retailers seek the services of specialists for this job. There are several factors that retailers, as well as these specialists, have to consider while creating a display window. These factors include the number, size, shape, color, theme, and the frequency of changes in a year. However, retailers in shopping malls usually do not have display windows facing the parking area, as they feel that vehicular traffic is generally not attracted by the display windows.

### **Size of the Building**

The size of a building also has an impact on the store atmosphere. The height of a building may either be disguised or non-disguised. The height of a building is said to be disguised if a portion of the building is below the ground level. Retailers in these types of buildings can attract the customers who are intimidated by large, impersonal buildings. The height of a building is said to be non-disguised if all the floors or the whole building is visible to pedestrians from the ground level. Retailers in this type of buildings should study the perceptions of the target customers visiting them. It is important to select right sized building for various types of merchandise. A retailer cannot create a fashion boutique in a huge building and a departmental store image in a small building.

As the final goal of a retailer is to make its store a unique one, its visibility can be enhanced by combining various elements of the store's exterior. The unique look of a store can attract consumers' attention. A store can be made to look unique by combining the following:

- Unique store design
- Elaborate marquee
- Recessed open air entrance
- Decorated window displays
- Distinct size of the building

While planning the exterior of a store, a retailer should thoroughly examine the surrounding areas including the stores located there, because these would have a significant impact on the retailer's store. An upmarket premium store will not fit in an area dominated by low price discount stores. The 'surrounding area' comprises demographics and the lifestyles of people living near the store. Since people tend to have a general perception about an area, the overall image of an area has a significant impact on the image of each store in that area. Thus, a store's exterior should be distinct, and it should complement the overall image of the area (and not affect it negatively).

Parking facilities also have a significant effect on the store's image. Providing abundant and free parking space creates a positive image of the store, when compared to insufficient parking space and paid parking facility to its customers. Some potential customers might not visit a store because of the parking problem. Congestion of space is another factor that may turn potential customers away.

### **Colors and Materials**

At the very first sight, the colors and materials used for the store's exterior do create an impression in the customer's mind. Generally, this impression leaves a long-lasting image of the store in a consumer's mind. The exterior of a store should appeal to the target customers. The colors and materials used should

#### **Block 4: Managing the Retail Store**

convey the image of the store. An increasing number of retailers are using various types of textures, building materials like brick, matte-finished acrylics etc., at the entrance to create a soothing effect. Steel exteriors tend to project an image of strength, while extensive use of glass creates a unique impression of contemporariness. Concrete structures create an impression of a low cost and value-based store, whereas use of brick creates a rather upscale image.

Very often, it is the color that creates a first impression on the mind of anyone looking at an object. Color can attract customers' attention, retain it and encourage them to purchase. This psychological impact of color on the customers' mind depends upon its properties, hue, value, and intensity. Hue is the name of the color, like blue, green, red, and so on. Value is the lightness or darkness of the hue. Dark values are known as shades. Intensity is the brightness/dullness of the hue. Hues are basically classified as warm colors and cool colors. While warm colors are those that create a more comfortable and informal atmosphere, cool colors create a more formal, lonely, and chilled atmosphere. Red, yellow and orange are generally considered warm colors and blue, green and violet are considered cool colors. It is necessary for a retailer to understand the psychological impact of color on the customers' mind, because it not only helps the retailer sell its merchandise, but also helps create a conducive environment for selling it. Thus, the retailers should use an appropriate color scheme that would appeal to their target customers as is done by Café Coffee Day

#### **Theft Prevention**

Theft prevention is another significant factor that a retailer should keep in mind while designing the exterior of a retail outlet. Theft prevention involves controlling employee and customer pilferage. The retailer, while planning the store exterior, should carefully observe the flow of the customers into and out of the store, and find ways to monitor them through electronic theft prevention systems installed at the entrances, exits, inventory receiving doors and at the trash disposal corridors. Whatever be the system adopted for theft prevention, the final objective should be to minimize the chances of unauthorized entry and exit into and from the store.

#### **Example: Apple's Ambitious Retail Project Sat on the Waters of Marina Bay**

In 2020 Apple, an American multinational technology company previewed Apple Marina Bay Sands. It was the first Apple Store to be directly sitting on water. The store appeared as a sphere floating on the Marina Bay in Singapore. The store was located in one of the most iconic places in Singapore. The store was inspired by the Pantheon in Rome.

*Contd....*

It offered a 360-degree panoramic view of the city and its spectacular skyline. The store was all-glass dome structure and comprised of 114 pieces of glass with only 10 narrow vertical mullions for structural support. The store created an unforgettable space for customers.

*Source: (September, 2020). Apple Marina Bay Sands opens Thursday in Singapore. Retrieved from <https://www.apple.com/newsroom/2020/09/apple-marina-bay-sands-opens-thursday-in-singapore/>. Accessed on 10-10-2022*

## **12.5 Store Interiors**

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The principal objective of any retailer is to maximize its sales and customer satisfaction, and to minimize the operational costs. Therefore, the interior of a store should be designed in such a way that it serves this purpose.

The store interiors should be attractive, comfortable, and convenient for customers. Retailers should use the store's internal space in an efficient and effective manner. The interior of a store determines the merchandise storing patterns and the way in which it is offered for sale. The interior should be so planned that the customers should have easy access to the merchandise offered. Customers' access to the merchandise can be improved through right layout. The image projected by the store's interior should complement the image conveyed by its exterior, promotional activities, prices and the quality of the merchandise offered. The interior of a retail store should provide comfort to its customers and should motivate their buying behavior.

### **12.5.1 Managing Space**

Retailers can make the most out of the store space and get optimum results from the available space through proper layout management. There are two major factors that make a store look unique - store layout and the visual merchandising. The following are the factors that a retailer should consider while taking any decision regarding the store layout:

- The value of space
- Space utilization and allocation

Apart from the above-mentioned factors, a retailer should also consider the flow of customer traffic, types of merchandise offered, proximity of the complementary merchandise and the desired store image while deciding on the store layout.

Planning a store layout is not a one-time event for a retailer. Though an overall layout plan is developed while opening a new store or renovating an existing one; checking for the optimization of returns and making the necessary changes is an ongoing task.

## **Block 4: Managing the Retail Store**

### **12.5.2 Value of Space**

Retailers generally represent the value of space in terms of sales per square foot of floor space, sales per linear foot of shelf space, sales per square foot of exposure space, and sales per cubic foot of shelf space. The fact that store space varies in value is the most significant factor that must be considered by a retailer while planning a store layout. Stores, departments, or free standing displays use the sales-per-square-foot measure. The shelf space for merchandise like grocery and cosmetics is measured in terms of sales per linear foot. Though the shelf space value for grocery and cosmetics is also measured in terms of sales per square foot of exposure space, it is an emerging technique. The height value of space is calculated as length multiplied with height of the vertical space. The value of space for merchandise stocked in freezers and refrigerators is measured in terms of sales per cubic foot. It is generally found that particularly some parts of the store are visited by a larger number of people.

The merchandise displayed in those areas is most likely to receive customer's attention, and thus, the sales of these merchandise categories are likely to be high. This implies that the value of the space along the high traffic routes is also high. Thus, the space near the store entrance is the most valuable; the space value starts decreasing gradually as we move towards the end of the store. Variations also take place in the sales and profit volumes of merchandise displayed on floors of the store. The difficulty in attracting the customers is directly proportional with the number of floors of the store or the height of the building from the ground level. For instance, the value of the space in the basement or the floors above the ground floor is less when compared to the value of the space on the ground floor. Thus, the uniform distribution of customers across all parts of the store is difficult to achieve. However, retailers should allocate space to every department in such a way that it optimizes the sales per square foot of space in the store.

### **Utilizing and Allocating Space**

Analyzing the available store space and allocating it to various departments is the first step in determining the store layout. Allocating the store space is usually based on various mathematical calculations on the returns from the various merchandise categories. But, before starting the process of allocating store space to various departments, the retailers should have a clear understanding of the different types of space required.

Basically, a retailer needs five types of space in its store - the back room, the office and other functional spaces, the aisles, service areas, other non-selling areas of the sales floor, wall space and the floor space. Because space is the most expensive and scarce resource for a retailer, it becomes very difficult to strike a balance between the need to present a greater variety of merchandise with store functionality and to enable customers to shop comfortably in the store. Thus, most of the retailers compromise on some or the other parameters by prioritizing their

goals. While analyzing each of its space needs, a retailer should ensure that maximum space is available for displaying the merchandise, and it should make the store an attractive place for the consumers.

The different types of space required by a retailer are described below:

**Back Room:** This consists of space for receiving inventories, a store room for processing these and stocking the surplus inventories. The back room is the most essential space required for any retail store to operate. The percentage of space allocated to the back room varies from retailer to retailer, depending on the type of merchandise that the retailer offers. The retailer's continuous efforts to maximize the sales per square foot of the store space, the use of the latest distribution techniques like just-in-time inventory management, quick response delivery system and efficient consumer response lead to a significant decrease in the space allocated for the back room.

**Office and other functional spaces:** These usually consist of a rest room for the sales personnel, a training room, cabins for the store managers and assistant managers, a cash office, bathrooms for the shoppers and the staff and other functional spaces. Every retail store must allocate some space for its office and other utilities like rest rooms. Spaces of this type are usually located in the areas that are least noticed or those that are too small to be back rooms.

**Aisles, service areas and other non-selling areas:** These include spaces that are allocated for customers to move around. Retail stores usually have two types of aisles - the primary aisles through which customers can go around the store and secondary aisles through which customers can reach a particular merchandise category on display. Other non-selling areas include service facilities like space for stacking shopping trolleys and baskets, trial rooms and service desks. Though retailers generally attempt to reduce the space allocated to non-selling areas, these form an important part of customer service, and can sometimes make the store look unique.

**Floor space:** This is also referred to as floor merchandise space. It consists of various kinds of fixtures that are used to display the merchandise.

**Wall space:** This is one of the most important parts of a retail store, as it acts as a fixture for carrying significant amount of merchandise. In addition to this, walls act as an excellent visual backdrop for the merchandise displayed on the shop floor.

There are different methods that retailers use to allocate space to various departments. The following are some of the commonly used methods:

- Allocation based on historical sales
- Allocation based on gross margins
- Allocations based on industry averages
- Allocations based on strategic objectives

#### **Block 4: Managing the Retail Store**

All these methods are used by retailers whose stores are already established. The retailer who plans to set up a new store should devise a new strategy for allocating space to the various departments.

***Allocation based on historical sales:*** The amount of space allocated to a specific department can sometimes be based on the sales that the products in that department have been generating. But, practicing this continuously for a long time can lead to under-allocation or over-allocation of space. Though this allocation method is simple and relevant, it has been severely criticized, as it may end up allocating little space for highly profitable merchandise and more space for merchandise that makes relatively less contribution to profits.

***Allocation based on gross margin:*** This method of space allocation is quite similar to the above method. The only difference is that in this case, the space is allocated on the basis of the proportion of the margins. For instance, the luggage department of a departmental store contributes to 15 percent of the sales and 11 percent to the gross margin. Therefore, only 11 percent of space is allocated to this department. Big retailers are now using software that helps allocate space on the basis of various financial factors. These tools help the retailers determine the space required for each merchandise category in a manner that maximizes profits.

***Allocation based on industry averages:*** Space allocation is sometimes done on the basis of the pressure from competitors. Retailers tend to allocate the same amount of space to a particular department, as their competitors. In such cases, the relevant information is usually provided to the concerned retailer(s) by the trade associations. Though this method of allocation does not weaken the retailer's merchandise category, it creates a 'me too' atmosphere devoid of uniqueness.

***Allocation based on strategic objectives:*** In order to increase the sales of a specific merchandise category, retailers allocate more space for products in that particular category, than what is justified by its historical sales data. This allocation method is used as a short-term promotional strategy to build up the sales of a newly launched product line. Hence, this allocation method is sometimes referred to as the build-up method.

As all the above-mentioned space allocation methods are based on historical data, the retailers cannot use any of these methods for allocating space for various departments in a new store. In such a situation, retailers usually assign space according to the industry standards and prior experience with similar store formats.

Once a specific amount of space is allocated for a particular merchandise category, the retailer should devise a technique for presenting the merchandise in the most attractive manner. Hence the need for understanding various merchandise presentation techniques.

### **12.5.3 Merchandise Presentation Techniques: Store Layout**

Retail store layout arranging is an unpredictable errand. The crucial goal is to boost sales with consumer pleasure and limit by large expenses. Numerous components influence the store layout arranging like the influx model of clients, building configuration, required assistance level, stock blend, contiguousness prerequisites and some more. Store layout can influence shopper's view/impression of a retail condition which can impact the probability of the consumer of visiting or maintain a distance from the store. Shaping better consumer experience appears to be one of the focal intentions in the current retailing market scenario. The client experience envelops the all-out experience including the pursuit, buy, utilization, and after-deals periods of the encounters. All these are firmly identified with the store format arranging and have noteworthy effect on the client experience the board system of a retail firm. Items in the retail chain outlets should be exhibited in such a manner that it tempts the buyers to visit the store. Item arrangement in the retail outlets can be used as a strategy to draw in the buyers to make impulsive purchasing.

Preparing a store prototype is the first step in determining a store layout. Store prototype is a model prepared by integrating various elements of a store. These elements include decor, lighting, music, scent, color, fixtures, and so on. While designing an effective store layout, retailers should strike a trade-off between many conflicting objectives. Firstly, the store layout should enable and incite the customers to move around the store to purchase more products than they have actually planned for. The layout should tempt customers to walk along the inexpensive merchandise display sections for impulse buying and then move on to expensive merchandise. There is another way of making customers navigate the store: by adding variety to the display style and by offering a wide variety of products. Retailers should create small secluded places in the store instead of huge straight spaces. Instead of placing racks and shelves in long rows, he should add multilevel shelves and racks, and ramps, or slightly vary the heights of the displays. In order to do this, modern retailers adopt any of three design types – grid layout, race track layout, and free form layout.

#### **Grid Layout**

A grid layout is generally found in grocery stores. It consists of numerous long gondolas and aisles. This marks the most cost-effective and efficient utilization of retail space. This layout is found to be most effective in supermarkets, where customers come to buy similar products (Ex: groceries) very often. But this layout does not work effectively in departmental stores and specialty stores.

#### **Race Track Layout**

A race track layout is a store layout which has a major aisle running inside the store. The customers can access various departments in the store through the



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aisles. The flooring and colors of these aisles is typically different from those of the individual departments. A majority of the departmental stores prefer this layout. The customers are exposed to only one type of merchandise in each section or department of the store. This layout helps each department draw the complete attention of the customers. Each department is independent, with natural or virtual breaks that separate one product from the other. Also, there are some primary and secondary aisles in every section that lead to individual product sections. The lighting and flooring of the aisles is different from that of the merchandising section.

### **Free-form Layout**

A free-form layout, also referred to as 'boutique layout', has the aisles and fixtures arranged in an asymmetrical fashion. This layout is most effective in small specialty stores or in the individual departments of large stores. This is an inexpensive layout, and has been adopted by many international fashion boutiques. For instance, Westside in Mumbai uses this layout. The store resembles a luxurious living room in which the merchandise is arranged on a single floor at two levels. This creates an impression on the customers' mind that a wide range of merchandise is being offered. The merchandise is arranged in sections depending on the adjacent section or group. In this layout, no attempt is made to create a break within a department. For instance, men's formal wear, casual wear and sportswear are all displayed in one section of the store. The customers have ample space to move around, and choose from the merchandise at ease. At Pyramid, a departmental store at Crossroads, Mumbai, most of the merchandise is displayed in the free-form layout. All the merchandise in the men's wear department is arranged in a shop-in-shop manner as per the brands. The entire floor is oval-shaped, with different brands displayed separately along the borders, and the billing counter is strategically situated at the center of the oval hall.

Retailers generally adopt this layout for their accessories and novelty departments. But this layout is expensive for individual departments because of the high cost of the display aids. However, there are some key factors that a retailer should take into account, while developing a layout prototype. The following are the optimizing factors:

***Increasing sales:*** The store layout should encourage the customers to go around the store and buy more merchandise than they have actually planned for. Typically, retailers achieve this by providing several entry and exit points. This makes the customers see a majority of the merchandise prior to coming out of the store. Circulation plan is the most significant aspect of devising a plan to increase sales. A circulation plan aims at providing indirect guidance to the customers in going around the store, so that they look at all the merchandise on display and

maximize their purchases. For instance, supermarkets typically place the merchandise customers intend to buy towards the end of the rack so as to make the customer walk through the aisle and look at all the other merchandise before reaching their target merchandise. This makes customers purchase some impulse goods as well. There should be no provision for dead ends in the circulation plan of a store.

***Maximizing returns per square foot:*** An effective layout should strike a trade-off between providing ample space to customers to shop and utilizing the often expensive and scarce resources efficiently. In order to achieve this, a retailer should make qualitative decisions about the various types of design, space allocation to selling areas (both feature and bulk of merchandise) and optimum utilization of wall and window spaces. An effective store layout has the potential to increase the amount of time and money spent by the customers in the store.

***Coordinating the merchandise with the store format:*** Retailers should design the store with its target customers in mind. A store meant for teenagers should not have a formally designed interior and exterior. On the other hand, there are stores that use a minimum number of fixtures, like upmarket jewelry stores, fashion boutiques and home furnishing stores. Typically, the interior of these stores is colored white, the lighting is good, and the store is unclogged, and has a serene atmosphere, with little merchandise on display. All the merchandise categories are treated equally. However, there are stores that take a middle position between these two extremes. Stores that adopt this type of layout generally use a contemporary design.

***Allowing flexibility in store design:*** The store should be highly flexible and adaptable to the changing needs of the customers and the type of merchandise. The retailer should be able to adapt to these changes with minimum effort and maximum efficacy. Hence, all the furniture and fixtures in the store should be movable, so that the interior of the store can be modified when needed. For instance, the absence of any fixed item in the furniture at Shoppers' Stop allows it to change the layout of the departments overnight.

***Recognizing the needs of the disabled/ women/ kids and safety of the customers:*** In most western countries legal guidelines are issued for the retailers to provide proper facilities to the disabled customers. But in India, no such guidelines exist. However, with the increase in the number of organized retailers in the country, this scenario is changing. For instance, some supermarkets are located at the ground level for the convenience of disabled customers. Some provide wheelchairs and assistants to such customers. Few other retailers create separate rooms for mothers with babies and rest rooms for pregnant women and senior citizens. Some retailers also provide some playing bins where kids can play while the adults shop. The main aisles are wider than the average size, in order to avoid overcrowding during peak business hours. Retailers should also take enough care

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about the safety of its customers. It must be ensured that the furniture in the store does not have sharp or protruding edges, and that the floor or the staircase is not slippery.

Though retailers can adopt many combinations of the various methods of store designs and presentation techniques, they should keep in mind the following four points that will help them develop appropriate presentation techniques:

First, the merchandise presentation techniques should be consistent with the image of the store. Second, the nature of the merchandise being displayed should be taken into account while developing a merchandise presentation technique. For example, blazers and suits should be left hanging, while shirts and trousers can be stacked. Third, packing is an important aspect of the presentation of merchandise. For example, supermarkets sell packed grocery, which is slightly costlier than what is sold at general or ordinary stores. Finally, the profit potential of the merchandise is a major determinant in the display decisions. For instance, high turnover, low profit merchandise does not require expensive displays, unlike high profit, low turnover merchandise.

### **12.5.4 Visual Merchandising**

Visual merchandising can be regarded as a retail function that helps the retailer create a visually appealing or pleasing shopping environment, which will, in turn, increase the sales. This is also referred to as Point-of-Purchase (POP) display. The POP display has three main roles to play – informing the customers about the products, adding value to the atmosphere of the store, and acting as a significant promotional tool.

There are various techniques that a retailer should consider while developing a visual merchandising technique for its store:

**Idea-oriented presentation:** This involves presenting the merchandise depending on a specific idea or the store's image. The merchandise is presented in a manner that helps the customer visualize the use of that particular product in their homes, when they buy it. This motivates the customers to purchase complementary products too.

**Style or item oriented presentation:** This is the most commonly used presentation technique. Retailers who generally adopt this technique include discount stores, grocery stores, hardware stores and pharmaceutical stores. Most of the apparel retailers are also found to use this technique. Customers looking for a specific product in a merchandise category would like to find all the products in that category at one place. Organizing merchandise on the basis of size is the most common style-based presentation. For example, apparel retailers may arrange shirts at one place on the basis of their sizes - small to extra large. Such an arrangement makes it easy for the customer to identify the shirt of his size.

**Color Presentation:** This involves presenting the merchandise using appropriate color combinations. Apparel retailers generally use colors (for their interior) that are appropriate for the season.

**Price Lining:** In this case, the merchandise is arranged according to the various price points. This type of presentation technique helps customers find the merchandise in the price range that they are looking for.

#### **12.5.5 Vertical Merchandising**

This is the most popular technique of merchandise presentation. It involves displaying the merchandise on the walls and high gondolas. While purchasing products in stores using a vertical merchandising technique, customers follow a set buying pattern, i.e. from left to right through each column and from top to bottom of each SKU. Retailers, especially grocery stores, tend to get maximum advantage of this buying pattern, by displaying national brands at eye level and store brands at a lower level, since customers usually scan down the racks. Also, retailers display merchandise of same color and kind in a vertical sequence.

#### **12.5.6 Tonnage Merchandising**

This is a presentation technique in which a huge quantity of merchandise is displayed at a time. Customers usually regard this type of presentation as something that has value and is offered at a lower price. Retailers adopt this technique to promote the store on the basis of price.

#### **12.5.7 Frontal Presentation**

Typically, it is not possible for the retailers to create effective display areas and display all the merchandise. Displaying as much merchandise as possible is as important as creating effective display areas. Frontal presentation is an answer to this problem. It is a merchandise display technique that helps the retailer exhibit as much portion of a product, as would be required to draw the customers' attention.

Once the retailers are aware of all the visual merchandising techniques, they should know about the various types of display areas. There are three types of display areas - feature areas, bulk of stock and the walls.

*Feature areas* are created to attract the customer's attention. These consist of end caps, promotional areas, freestanding fixtures, and mannequins (all these act as an introduction to the soft goods sections), windows and the Point-Of-Purchase sections. End caps are a relatively smaller number of shelves that are situated at the end of the aisles and are generally used to stack or display special promotional merchandise like sealed fruit juices, chips, chocolates, etc. as their visibility rate is high. Promotional areas are the spaces used in the same manner as an end cap. Freestanding fixtures and mannequins are generally placed on the aisles to draw the customers into the store and then into the departments. Typically, these

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fixtures carry the latest merchandise in the store or a department. Point-of-Purchase areas are considered to be the most important and valuable places in the store, because the customers are highly attracted towards this place. These are the points where impulse goods like magazines, batteries, chocolates, candies, etc., are displayed.

*The bulk of stock area* carries the entire range of merchandise. The merchandise in the bulk of stock area is usually displayed on gondolas or on freestanding fixtures (depending on the store format and design).

*Walls* are one of the most significant feature areas for storing extra merchandise. For instance, sportswear companies like Nike, Reebok and Adidas, and the footwear major Bata typically display their merchandise on the walls. This adds to the customers' comfort, as the store is not crowded by racks and shelves.

### **12.5.8 Fixtures**

The basic purpose of a fixture is to carry and display merchandise effectively. In addition to this, fixtures should help in defining various departments and increase the flow of customers. Apart from this, the fixtures should fit well with the interior of the store and its image. In other words, fixtures should not convey any message that goes against the store image. Though there is a wide variety of styles, colors, materials and sizes of fixtures, only a few types are used by a majority of retailers. Gondolas are the most popularly used fixtures, especially in grocery stores and supermarkets. Other retailers like apparel stores use fixtures like straight racks, rounders and four-way fixtures.

A straight rack has a long pipe supported by two suspenders, with their bases fixed on the floor or on the wall. Though straight racks can carry a lot of merchandise, it is difficult to display certain colors and styles. Customers can only see a sleeve or a leg in such a display. Hence this type of fixtures is generally found in discount stores.

A rounder is a circular fixture that stands on a pedestal. Because of their ability to revolve around their axes and to carry a lot of merchandise, rounders is used by most of the apparel stores. But, like straight racks, rounders provides only a side view of the merchandise.

A four-way fixture stands on a pedestal with two cross tubes that are perpendicular to each other. These fixtures can carry large amounts of merchandise, and customers can see the whole garment. However, these fixtures are relatively difficult to maintain, when compared to straight racks and rounders. Retailers must ensure that a specific arm of the fixture should carry garments of similar style and color, or else customers may be confused. Because of their superior display properties, these fixtures are generally found in fashion-based retail stores.

A gondola consists of a series of self-service counters having shelves or bins, in the form of an island. Because of their versatility, gondolas are used extensively in grocery stores, discount stores, and departmental stores. Retailers can display a wide variety of merchandise through gondolas. Though folded apparel can also be displayed in gondolas, it is much more difficult for the customers to view the merchandise here than on straight racks.

Fixtures can also be categorized as closed sell and open sell, depending on the customers' access to the merchandise. In a closed sell fixture, the customers are not allowed to access the merchandise. The salesperson helps the customer. In an open sell arrangement, customers are allowed to access the merchandise physically.

Also, manufacturers or vendors provide fixtures to the retailers for displaying their merchandise exclusively. This way, their brand stands out and improves the consistency in displaying their merchandise across all the stores that sell it. Because most of the fixtures used in a store look the same, it is the way the merchandise is displayed that makes it unique. This phenomenon is referred to as visual merchandising. For instance, vendors like Coca-Cola, Pepsi, Cadbury's, Jockey, and Gillette use their own fixtures for displaying their products. Apart from using fixtures to display the merchandise, visual merchandising involves displaying the merchandise on walls, windows, and mannequins. It is closely linked with the retailer's overall marketing strategy and its marketing theme in a particular season. But the retailer must ensure that the visual merchandising tools it uses are in congruence with the overall image of the store.

### **12.5.9 Atmospherics**

Retailers have indicated an escalating significance in the worldwide business scene. Comprising of the considerable number of exercises that contain the way toward offering items and administrations to meet an individual need of the individual buyer, the store formats and condition change, and contend worldwide. Likewise, the retail space, which means the proximate condition that encompasses the retail customer, is rarely unbiased. It will consistently impact the person. The retail store is a gathering of prompts, messages, and proposals that convey to purchasers. Retail organization architects, organizers, and merchandisers shape space, and that space thusly influences and shapes customer conduct. The exceptionally expanding rivalry in retailing is forcing the supervisors working right now to think about the customers' fulfillment at the centre of their key musings. Such a point of reference shows up unmistakably through the execution of new procedures and systems that may prompt to a more wonderful shopping experience. In this scenario store atmospherics is becoming a crucial retailing strategy for differentiating a retail store from that of its competitors by providing significant emotional and cognitive support to the consumers, as well as increasing the quality of their interaction with the store personal.

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In 1973, Kotler in his seminal article “Atmospherics as marketing tool”, introduced the term store atmosphere”, which he described as the cognizant scheduling of the store environment to create definite effects in consumers. Kotler asserted that an item goes past the physical viewpoints regularly connected with it, including in his definition a bundle that establishes the "genuine item" professed by shoppers, including the arranged environment where it is sold. The alluring and amazing atmosphere of retail chain outlets makes an agreeable encounter among the buyers, which legitimately influences buyers' buying intention and their choice making procedure. The store atmosphere has a significant impact on customer's emotion and pleasure. The probability of a customer spending more time in a retail store and buying from that store increases, when that customer feels satisfied with that particular retail store atmosphere, and the stimuli comprising that atmosphere.

Atmospherics can be described as an environment that stimulates the perceptual and emotional responses of the customers through.

- Visual communications
- Lighting
- Colors
- Music and
- Fragrance

**Visual communications** involve communicating with the customers through graphics, signs, and certain theatrical effects inside the store and through the windows. Visual communications help increase the sales by providing information to customers about the merchandise offered, the best buys and so on. Apart from this, customers find it easy to locate the departments or sections they are looking for in the store with the help of signs and graphics. Moreover, graphics enhance the beauty of the store. But enhancing the beauty of a store is no easy task. There are many key issues that a retailer should consider while developing a visual communication strategy. The following are some of those issues:

***Coordination between the signs and graphics and the image of the store:*** The signs and graphics used in a store should ideally establish a link between the merchandise offered and the target customers. The color and tone of the signs and graphics should go well with the merchandise offered and the corporate logo. For instance, the corporate colour scheme of Airtel is a combination of red and white. It must be ensured that the colors used create a pleasant feeling, or else they may spoil image of the store. The color should be blended in such a manner that it appeals to its target customers. Posters or dangles, if used, should show the merchandise being used by the right target customers. For instance, posters of women draped in sarees should be placed in a saree store and those of women wearing jewelry should be put-up in a jewelry store.

***Providing information to the customers:*** Signs and graphics that provide information about the merchandise can make it more desirable. For instance, in RPG's Giant Hypermarket, product information, including its price is printed on small white cards. Large photo panels depicting the actual application of the merchandise help the customers imagine what exactly its use is. This is necessary because when customers are buying a product, they are actually buying a solution to a problem.

***Using signs and graphics as supporting material:*** Using signs and graphics as supporting material can be a unique manner of blending the theme and the merchandise appealingly. For instance, an apparel retailer can put up the pictures of beaches all over its store to project the 'cool' image of its summer clothing.

***Updating signs and graphics:*** Signs and graphics used in the store should be congruent with the merchandise offered, and they should be updated along with the merchandise, i.e., when the merchandise changes, the signs and graphics should be changed accordingly.

***Avoiding excessive use of text in the signs:*** As the primary objective of a sign is to keep the customers informed about the merchandise and various offers at the store, the text on it contributes significantly to its success. However, using too much text may be detrimental to its purpose, as customers generally do not like to read too much of text. The text should be presented in such a manner that the customers can obtain product information as they move around in the store.

***Using appropriate fonts on the signs:*** The font style used for the text is a critical factor for their effectiveness. Different fonts can convey different meanings and moods.

***Creating theatrical effects:*** Creating a theatrical effect in a store will enhance the excitement (of the customers) in the store along with its image. This may be brought about through an elaborate display of functional elements like excessive use of colored fabrics blended well with the colors used in the store, or by hanging large laminations from the walls or the ceiling (for decorating, providing information or for covering up less attractive areas like ceilings and beams).

***Lighting:*** Lighting can be used intelligently to highlight the merchandise and attract customers to specific departments in the store. Retailers often overlook and underestimate the impact of proper lighting on the store image and the sales. Lighting is utilized to highlight items. It creates exhilaration and positively affects shopper buying conduct. At the point when the lighting utilized in the retail chain outlets is of acceptable shading, customers are slanted to contact items to measure quality. Purchaser's choice decision of a retail store is decently impacted by the lighting and design of that particular store. Retail stores with appropriate lighting, music, shading, fragrance and presentations can induce the customers to visit the store again in future. Though it has been proved that appropriate lighting can increase the sales of the store by 20 percent, many retailers often ignore its



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importance. Proper lighting does more than just illuminating the store. It highlights the products displayed, moulds the space, captures the customers' mood and enhances the store image. Excellent lighting also masks the less attractive areas of the store that cannot be modified otherwise.

Some of the main objectives of lighting:

- ***Highlighting the displayed products:*** A proper lighting system, apart from creating a sense of excitement for the customers in the store, should present the products on display in their original colors. For instance, a dark blue shirt should look the same inside and outside the store. Further, the store lighting should match the customer requirements. For instance, the automobile showrooms require brighter and more expensive lighting, when compared to small grocery stores or supermarkets. Also, proper lighting helps highlight the strategic merchandise locations that help attract the customers to specific areas of the store.
- ***Capturing customer's mood:*** The lighting systems should be so effective as to capture the customer's mood in all the departments of a store. They should also be able to change the customers' mood according to the merchandise displayed.
- Ability to mask the unattractive features or places of the store. Proper lighting can mask the outdated designs.

**Colors:** These are the most important and most strategic visual promotional tools that help build a retailer's image by creating a positive effect on the customers' psychology. Color assembles emotions and influences customer conduct and mentality. It could invigorate recollections, contemplations, and experiences. Color has incredible effect on the buyer's recognition about the product. Great color of the retail chain outlet will catch the clients' eye and make positive recognition about the product. Though warm colors tend to create excitement by attracting the customers and capturing their attention, these can be distracting and unpleasant at times. Cool and bright colors like blue or green are suitable for retailers, offering expensive products. As different colors convey different moods and meanings, retailers should ensure that the colors they use must complement the message conveyed by the merchandise.

**Music:** Like color and lighting, music may complement or contradict the atmospherics of a retail store. However, unlike the other elements of atmospherics, music can be changed as and when needed. Consumer's cognizant and comatose decisions are affected by music. Music can be used effectively to influence the buying behavior of many customers. Music has the ability to control the traffic in the store, to develop a store image, to capture as well as divert customer's attention. The assortment of the ambient melodies altogether impacts on the shopper observations and inclinations. Shoppers invest less energy in stores when the music is played stronger when contrasted with delicate. As music preoccupies the

## Unit 12: Store Layout, Design and Visual Merchandizing

consumers' brain, it inhibits their ability to evaluate the merchandise. In addition, some customers may not like music, and leave the store without purchasing anything, while others may purchase more than what they have had originally planned, as their resistance to attractively presented merchandise comes down.

**Fragrance:** Most of the purchasing decisions of the consumers are emotional and of all the different human senses, smell has the most significant impact on human emotions. Fragrance impacts buyers' mind-set and feelings which cause the buyers to spend additional time in the store and at the same time feel energized. Right utilization of fragrance improves assessments of items that are new or not that popular. Fragrance majorly affects how shopper assesses the product. Customers invest more energy in shopping when the retail store atmospherics contain great music and fragrance. Choice of one fragrance ought to be favored over several other fragrances by the retail vendor. Customers usually do more shopping at the retail outlets with single aroma contrasted with those shoppers who are presented to various fragrances. The retailers should use fragrances in the various departments of the store according to the preferences of their target customers and the merchandise displayed. There are many factors that a retailer should consider while deciding on which perfume to use. Factors like the gender, age and ethnic background of the target customers determine the intensity of the perfume to be used. With so many variations in the customer profiles, it is certainly not an easy job for a retailer to decide on a perfume that would appeal to all its target customers.

### **Example; Nordstrom's with Interesting Angles, Shapes and Colors Instore**

Nordstrom is an American luxury department store chain. Nordstrom's flagship store is in New York. The said store makes use of interesting angles, shapes and color that adds to unique shopping experience. There are many seating areas as well that make it perfect for family shopping experience with place to make people feel comfortable.

*Source: Popovic, D. (May 22, 2022). 10 Retail Store Design Ideas for the Best Shopping Experience. Retrieved from <https://www.manypixels.co/blog/post/retail-store-design>. Accessed on 05-08-2022.*

### **Activity 12.1**

Imagine that you are the store manager of a leading retail outlet of an Indian city. Elaborate your plans about merchandise assortment, store layout and atmospherics of the outlet to take on occasions such as Diwali successfully.

**Check Your Progress - 1**

1. Store image plays a very vital role in establishing the retail stores successfully in the mind of consumers. Which of the following factors contribute in building overall image of the stores?
  - a. The quality of the merchandise offered, prices and the merchandise assortment
  - b. Behavior of the consumers with retail staff.
  - c. Convenience of location, products offered, shopping experience, ease in transaction, strength of the image, and clarity of message
  - d. Cleanliness of the premises, credit facilities, keeping in line with the level of customer sophistication, friendly sales personnel, free space inside and outside the store
  - e. All the above
2. To create a friendly buying environment, the retailer or the store should create an atmosphere that would boost the customers' buying spirit. To be effective, a buying atmosphere should appeal to which of the following senses of the consumer?
  - a. Three senses of the consumers i.e. Sight, audibility, and smell
  - b. Five senses of the consumers i.e. Sight, audibility, smell, touch and taste
  - c. Two senses of the consumers i.e. Sight, and smell
  - d. Four senses of the consumers i.e. Sight, audibility, smell, touch
  - e. Five senses of the consumers i.e. Sight, feel, smell, touch and taste
3. There are different methods that retailers use to allocate space to various departments. Which of the following is not a suitable method for space allocation?
  - a. Allocation based on historical sales and gross margins
  - b. Allocations based on industry averages
  - c. Allocations based on strategic objectives
  - d. Allocation based on predicted retail trends
  - e. Allocation based on competitors' allocation methods
4. Atmospherics is an environment that stimulates the perceptual and emotional responses of the customers through visual communications, lighting, colors, etc. Which of the following is missed in the list above?
  - a. Music
  - b. Fragrance

- c. Music and display
  - d. Decor and display
  - e. Music and fragrance
5. Which of the following is a retail function that helps the retailer create a visually appealing or pleasing shopping environment, which will, in turn, increase the sales?
- a. Visual merchandizing
  - b. Fragrance
  - c. Music
  - d. Merchandise appeal
  - e. Retail theatre
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## **12.6 Store Security**

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According to National Retail Federation (NRF), the largest retail trade association in the US, retailers should protect their stores from many types of merchandise losses, especially from those caused by customers, employees, burglars, and robbers. While developing security systems for their stores, retailers should keep in mind their customers and employees, in addition to the store image and the merchandise offered. Retailers usually spend up to five per cent of their total retail expenditure on covering merchandise losses or on establishing security systems to prevent such losses. But it has been found over the years that a majority of these losses are caused by theft and shoplifting committed by employees.

### **12.6.1 Customer Theft**

This means theft of the merchandise on display in a store, committed by entrants into the store. This is also referred to as shoplifting. This petty pilferage usually leads to 30 to 40 per cent of the overall inventory losses of a retailer. In order to cover these losses, retailers are forced to price their merchandise on the higher side. Shoplifting is attempted in three basic ways:

- Direct theft of the products on display
- Tampering with the retailer's price tag to show a lower price
- Replacing the original price tag with a lower priced tag

There are broadly two types of shoplifters - those who commit the theft to derive a physical or psychological satisfaction, and those who do it for a living. The former type of shoplifters are called amateur shoplifters, and the latter type of shoplifters are referred to as professional shoplifters. There are a number of techniques that these shoplifters adopt to conceal both their act of theft and the

## **Block 4: Managing the Retail Store**

stolen merchandise. Depending on the techniques adopted by shoplifters, they are categorized as boosters, diverters, blockers, sweepers, walkers, wearers, carriers, wrappers, and price changers.

The security system of the retailer should have effective techniques for detection and prevention of shoplifting. The most common detection technique is observation, wherein the sales staff is trained thoroughly to observe the entrants into the store. This technique, apart from increasing the chances of detection of shoplifting, it also prevents it. The use of electronic gadgets like closed circuit televisions, electronic barcodes, smart tags, and so on, is very effective in detection of shoplifting.

### **12.6.2 Employee Theft**

Pilferage done by employees has been a major reason for inventory losses for most retailers. The retailers' strong trust on their employees is perhaps the major cause of these losses. The first step in the process of detecting and preventing such pilferage is to identify the existence of the problem, and then understand the reason for it and subsequently understand the mechanism of the act. Theft of merchandise and theft of money are the two most common types of employee pilferage. Opportunity and need are the most prominent factors that cause employee theft. When some employees continuously find opportunities to pilfer, they take advantage of the situation. At times, employees steal in order to satisfy their financial needs. This problem will be solved (at least to a certain extent) if the retailer pays a wage to the employees which would satisfy their needs to a considerable extent (if not wholly). But the retailer should understand that this is not a permanent solution to the problem.

Employees, depending on the means which they adopt for pilfering money or merchandise, have been categorized into eaters, smugglers, discounters, dippers, embezzlers, partners and stashers.

### **12.6.3 Supplier Pilferage**

In order to control employee pilferage, retailers should create a store environment in which the slightest dishonesty is severely punished and integrity and honesty are rewarded. Retailers should develop effective security systems to bring down the chances of employee pilferage. The retailer can develop a personal relationship with the employees by showing their concern towards their problems and needs. This will encourage their honesty and integrity. Retailers should employ security guards in uniforms, undercover shoppers, and silent witness programs to detect and prevent employee pilferage.

While developing a security system for their store, retailers should also consider the security problems faced by its vendors. The pilfering activities of the vendor representatives are of two types – short counts (where fewer numbers of items are

## **Unit 12: Store Layout, Design and Visual Merchandizing**

delivered than are listed on the purchase order and are signed for on the invoice) and merchandise removal (where the merchandise is stolen from the points of receiving, checking, stocking, and selling). The following are some procedures through which the retailer can reduce and eliminate pilferage by the supplier's representatives:

- Establish a separate receiving point in the rear of the store for accepting all the incoming inventory.
- Monitor all the deliveries that are made directly to the sales floor and the store room.
- Minimize the number of entrances to the receiving point and lock them properly.
- Thoroughly monitor and control the entry and exit into the receiving point.
- Randomly inspect the delivery staff and their equipment within the stores' premises.
- Check all the incoming shipments.
- Properly document all the incoming shipments in all respects – their contents, weight, size and condition of receipt.

### **12.6.4 Credit Management**

Of late, almost all retailers have started to accept credit cards or credit purchases. Petrol filling stations, restaurants, electronic goods stores, grocery stores, supermarkets, departmental stores: All of them accept credit cards. Some retailers even accept personal cheques with proper identification marks. Selling merchandise on credit has become necessary for retailers because of the increase in number of customers using credit cards (like Visa, Mastercard and American Express) across the world. Apart from this, computerization and the Internet have eased the process of credit and increased the efficiency of the credit management process. However, retailers should be very cautious while handling credit or credit cards, as many of these can be stolen or fictitious cards. To reduce such losses, retailers should take enough care while accepting credit cards. Some of the precautionary measures are the following:

- Tallying the signature of the card-holder on the credit slip with that on the credit card.
- Checking the authenticity of the individual carrying the card (Some credit cards carry the photograph and signature of the card-holder).
- Seeking approval from the finance provider if the sale through credit card is over a certain amount.
- Sending all the credit card sale documents for immediate processing.

#### Block 4: Managing the Retail Store

##### **Example: Kmart Uses Facial Recognition Technology for Store Security**

Kmart Australia Limited is an Australian chain of department stores owned by the Kmart Group division of Wesfarmers. Kmart makes use of facial recognition system to handle store theft issues. It has displayed signage in its store that read “this store has 24-hour CCTV coverage, which includes facial recognition technology”. The facial recognition technology has been mentioned in the policies of Kmart as a means to prevent loss and enhance store safety.

*Source: (June 14, 2022). Bunnings, Kmart and The Good Guys using facial recognition technology to crack down on theft, Choice says. Retrieved from <https://www.theguardian.com/technology/2022/jun/15/bunnings-kmart-and-the-good-guys-using-facial-recognition-technology-to-crack-down-on-theft-choice-says>. Accessed on 05-08-2022*

##### **Activity 12.2**

Visit an established supermarket where grid layout is followed to regulate the traffic inside the outlet. What, according to you are the major advantages of having a grid layout which makes the customers navigate through all the display racks from the point of entry to the point of exit. The store manager and the salesmen in the outlet may be interviewed for gainful insights.

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#### **Check Your Progress - 2**

6. Which of the following employees steals money from the cash counter or misutilizes the office money?
  - a. Embezzler
  - b. Dipper
  - c. Partner
  - d. Discounter
  - e. Stealer
7. Who among the following is the one, who does not steal merchandise and money, but leaks vital information about the store, such as security aspects, that increase the probability of theft?
  - a. Embezzler
  - b. Dipper
  - c. Discounter
  - d. Partner
  - e. Stealer

## Unit 12: Store Layout, Design and Visual Merchandizing

8. Which of the following is a presentation technique in which a huge quantity of merchandise is displayed at a time?
    - a. Tonnage merchandising
    - b. Mass merchandizing
    - c. Frontal presentation
    - d. Whole merchandizing
    - e. Hyper merchandizing
  9. Which of the following is a popular technique of merchandise presentation that involves displaying the merchandise on the walls and high gondolas?
    - a. Horizontal merchandising
    - b. Vertical merchandising
    - c. Frontal merchandizing
    - d. Visual merchandizing
    - e. Merchandizing display
  10. Employee pilferers are classified into many categories depending on their operational techniques. Which of the following classification presents the correct classification?
    - a. Eater, smuggler, discounter, dipper, thief and partner
    - b. Eater, smuggler, discounter, dipper, embezzler, and stealer
    - c. Eater, trafficker, discounter, dipper, embezzler, and partner
    - d. Eater, smuggler, discounter, dipper, embezzler, and partner
    - e. Taster, smuggler, discounter, dipper, embezzler, and partner
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### 12.7 Summary

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- Store layout and visual merchandising are factors that contribute to the uniqueness of a store. The exterior and interior of a store convey several messages about the store to the consumers.
- The building that houses retail store, (whether new or old) and the exterior design of the store are important aspects of the design of the store. Marquees, walkways, entrances, doors, display windows, the height and size of the building, colors and materials used, and theft prevention are some of the key factors to be kept in mind while developing a store's exterior.
- Managing space is the primary concern of almost every retailer, when it comes to designing the store's interior. Space is always an expensive and scarce resource. Retailers always try to maximize the return on sales per square foot.



#### Block 4: Managing the Retail Store

- Planning a layout for the store's interior is the first step in designing the store's interior. There are three kinds of layouts - grid layout, race track layout and freeform layout.
- Allocating space to various merchandise categories in a store is very important. Allocation of space can be based on many factors, like historical sales, gross margins, industry averages and strategic objectives.
- Apart from allocating space to various merchandise categories, space has to be allocated for carrying out some essential functions. Such space includes the back room for receiving the inventories and sorting them out, office and other functional spaces, aisles and customer service desks, floor space and wall space.
- The interior of a store influences the purchasing behavior of the customers to a great extent. Designing the interior of a store in such a way so as to influence customer behavior is referred to as visual merchandising. It includes optimum and appropriate use of fixtures, displays, color, lighting, music, scent, ceilings, and floor, and designing all of these properly.
- Merchandise presentation is the most significant aspect of store design, because it helps attract customers' attention. A retailer can resort to many forms of presentation such as idea-oriented presentation, item-oriented presentation, price lining, color presentation, vertical merchandising, tonnage merchandising and frontal presentation.
- Prevention of losses due to merchandise pilferage is a major cause of concern for all retailers. This issue should be addressed at the initial stage of store design.
- The retailer can use many electronic security systems like CCTV and EAS for the prevention of such losses. Thus, by appropriately integrating the various elements of store design (both exterior and interior), a retailer can create an excellent image of itself in the target customer's mind.

#### 12.8 Glossary

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**Back Room:** This consists of space for receiving inventories, a store room for processing these and stocking the surplus inventories.

**Dipper:** An employee who steals money from the cash counter or misutilizes the office money.

**Embezzler:** An employee, who diverts the retailer's funds either permanently or temporarily, by taking advantage of the high trust the retailer has on him or her.

**Free-form Layout:** It is also referred to as 'boutique layout', has the aisles and fixtures arranged in an asymmetrical fashion. This layout is most effective in small specialty stores or in the individual departments of large stores.

**Marquee:** It typically carries the store name, along with its trademark and other relevant information like captions.

**Modular Structure:** A single piece of rectangular or a square structure that is attached to many other stores.

**Partner:** A partner is one who does not steal merchandise and money, but leaks vital information about the store, such as security aspects, that increase the probability of theft.

**Recessed Structure:** A store in which the customers have to walk in a small distance to see the exteriors.

**Vertical Merchandising:** A method of displaying the merchandise on the walls and high gondolas are referred to as Vertical Merchandising.

**Visual Merchandising:** It can be regarded as a retail function that helps the retailer create a visually appealing or pleasing shopping environment, which will, in turn, increase the sales. This is also referred to as Point-Of-Purchase (POP) display.

### **12.9 Self-Assessment Test**

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1. What do you understand by store image? Explain the factors that contribute in building store image.
2. Elucidate the various types of store exteriors used in retail stores.
3. Managing space is critical for retail profitability. Explain the use of technology and planograms in allocating retail space.
4. Explain the various types of merchandise presentation techniques used in retail operations.
5. What do you understand by visual merchandizing? Explain the various techniques considered by retailers to develop visual merchandising technique for their stores.

### **12.10 Suggested Readings/Reference Material**

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1. Giri Arunangshu and Chatterjee Satakshi, "Retail Management: Text & Cases" Paperback, PHI Learning Pvt. Ltd., 2021.
2. Swapna Pradhan, "Retailing Management: Text and Cases", McGraw Hill, Sixth Edition, 2020.
3. Barry Berman, Joel R Evans, Patrali Chatterjee and Ritu Srivastava, "Retail Management", Thirteenth Edition Pearson Education, 2017.
4. Gibson G. Vedamani, "Retail Management", 5<sup>th</sup> edition, Pearson Education, 2017.

### **12.11 Answers to Check Your Progress Questions**

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**1. (e) All the above**

Store image plays a very vital role in establishing retail successfully in the mind of consumers. The following factors contribute in building overall image of the stores: The quality of the merchandise offered, prices and the merchandise assortment. Advertising, external attractiveness, salesmanship and fashionability. Convenience of location, products offered, shopping experience, ease in transaction, strength of the image, and clarity of message. Cleanliness of the premises, credit facilities, keeping in line with the level of customer sophistication, friendly sales personnel, free space inside and outside the store.

**2. (b) Five senses of the consumers i.e. Sight, audibility, smell, touch and taste**

A buying atmosphere can be effective only if it can appeal to the five senses of the consumers i.e. Sight, audibility, smell, touch and taste.

**3. (e) Allocation based on competitor's allocation methods**

The most commonly used methods used by retailers for allocating space are allocation based on historical sales and gross margins, allocations based on industry averages & allocations based on strategic objectives and also considering predicted retail market trends. Option (e) is not a suitable method for allocating retail space.

**4. (e) Music and fragrance**

Atmospherics is an environment that stimulates the perceptual and emotional responses of the customers through visual communications, i.e. lighting, colors, music and fragrance.

**5. (a) Visual Merchandising.**

A retail function that helps the retailer create a visually appealing or pleasing shopping environment, which will, in turn, increase the sales, is called as visual merchandizing or Point-Of-Purchase (POP) display.

**6. (b) Dipper**

A dipper is an employee who steals money from the cash counter or utilizes the office money.

**7. (d) Partner**

A partner is one who does not steal merchandise and money, but leaks vital information about the store, such as security aspects, that increase the probability of theft.

**8. (a) Tonnage Merchandising**

Tonnage Merchandising is a presentation technique in which a huge quantity of merchandise is displayed at a time. Customers usually regard this type of presentation as something that has value and is offered at a lower price.

**9. (b) Vertical merchandizing**

Vertical Merchandising is displaying the merchandise on the walls and high gondolas.

**10. (d) Eater, smuggler, discounter, dipper, embezzler and partner**

Employee pilferers are classified into many categories depending on their operational techniques. These categories are: Eater, smuggler, discounter, dipper, embezzler, and partner.

## Unit 13

# Customer Service

### Structure

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- 13.1 Introduction
- 13.2 Objectives
- 13.3 Gaining Strategic Advantage Through Customer Service
- 13.4 Types of Customer Services
- 13.5 Customer Evaluation of Service Quality
- 13.6 Gaps Model for Improving The Quality Of Service
- 13.7 Service Recovery
- 13.8 Summary
- 13.9 Glossary
- 13.10 Self-Assessment Test
- 13.11 Suggested Readings/Reference Material
- 13.12 Answers to Check Your Progress Questions

*“Customer service shouldn’t just be a department; it should be the entire company”*

- Tony Hsieh (CEO, Zappos)

### 13.1 Introduction

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What is the most important thing you can do to reduce churn and increase word-of-mouth referrals? The answer is obvious, but it’s often overlooked: improve your customer service. No matter how awesome you think your product is, or how skilled you think your team is, what your customers are most likely to remember is the direct interaction they have with your company.

With increasing competition in the marketplace, the importance of customer service has been growing rapidly. Customer service is now becoming a key differentiation strategy for retailers.

Meanings of customer service proliferate and can be convoluted. At last, in any case, customer service is tied in with drawing in, holding and improving customer connection. There are consequently various routes in thinking about this. The attractions of customer could be in the value offer of the store, for example, rest-rooms or endowment wrapping. It is moderately simple to produce a rundown of such services that an organization may give. It tends to be contended that to pull

in certain customer to a store such services must be given as a certifying service bundle to enter the customer's cognizance or decision set. This certifying service will shift by customer segment and should be reliant to the target market of the retailer. It is critical to acknowledge, however, that just offering types of services, for example, endowment wrapping isn't sufficient. Customer service from a customer perspective is significantly essential.

In a retailing environment, customer service can be referred to as a set of activities and programs taken up by a retail organization to offer its customers a rewarding shopping experience. Customer service involves all activities that determine: i) the ease of shopping for potential customers or information provided about the store's offerings, ii) the ease of completing a transaction and iii) the satisfaction of customers after the shopping. These activities comprise the different stages of customer service i.e. pre-transaction, transaction, and post transaction. Some of the most common services offered by the retailers are: accepting credit cards, making alterations, assembling products, offering credit facilities, providing home delivery, making product demonstrations, providing trial rooms, dressing rooms, extending business hours, elaborate signage to help customers locate merchandise, gift wrapping, parking facilities, etc.

This unit examines the significance of customer services from various perspectives, especially from the strategic and customer perspectives.

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### **13.2 Objectives**

After reading through this unit, you should be able to:

- Frame customer service programs as a retailer for gaining strategic and differential advantage over its competitors
- Outline the types of customer services that helps in building customer loyalty
- Measure the service quality of the store as evaluated by customers for ascertaining the latter's perceptions about the store
- Explain Gaps Model that helps in understanding the type of gap that exist in retailer-customer relationship
- Solve customer complaints through service recovery processes for strengthening retailer-customer relationship

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### **13.3 Gaining Strategic Advantage Through Customer Service**

In order to gain a differential competitive advantage, retailers should develop their customer service programs after considering the pre-transaction, transaction and post transaction activities of sale. Because of mass distribution of the merchandise, it becomes highly difficult for the retailer to differentiate itself from its competitors solely on the basis of the merchandise offered. Though the same rule applies to location and design of the stores, innovative customer service programs can certainly provide retailers with a high level of differential

#### **Block 4: Managing the Retail Store**

advantage. The most successful retailers in the US attribute their success to their excellent customer service programs. Excellent customer service leads to improved customer loyalty and protects retailers from competition on various factors, like price, merchandise, location, and store design.

At the point when a customer enters a store they have certain assumptions regarding what they will discover and encounter there. The assumptions depend on acknowledged data and additionally past encounters. In the event the assumptions are not coordinated, at that point the customer may take his/her custom somewhere else. Continued with the disappointment will for the most part lead to loss of exchange if there are contending options/opportunities. Retailers should meet these assumptions and try to keep their customers by restricting them into a long haul relationship. To do this, the organization's offer must be placed to meet the assumptions for the target customer group and the in-store and out-of-store exercises must match the assumptions.

A loyal customer is less vulnerable to the temporary price discounts offered by competitors. The experience of shopping at a retail store is much more than moving into the store, selecting, and purchasing the merchandise. It begins much before the customer has entered the store and ends much after he has left the store. Thus, it is necessary to emphasize on customer service during pre-transaction, transaction and post transaction stages of a sale, to attract new customers and strengthen the loyalty of existing customers. While providing excellent customer service during the pre-transaction and post transaction stages, it is essential to ensure that the transaction actually takes place. Good customer service in the post transaction stage is essential to build customer loyalty and retain them.

Transient customers are those who are dissatisfied by the customer service of a store or those who find that the product they are looking for is not in stock. Each moment a customer comes into contact with a store, or its retail staff or product, that customer is encountering service and has certain desires out of it. More importantly, each time the customer purchase something from the store; it is through the retail staff or product they experience a critical juncture of truth. Each of these critical junctures of truth is a chance to pull in, hold or upgrade the relationship with a customer. Similarly, every juncture of truth can be a potential debacle from a retailer's perspective that could put off a customer forever. The organization, through its store's staff and supervisor had an enormous number of junctures of truth to intrigue or satisfy the customer. In pretty much every case they neglected to satisfy the customer, keep to guarantees or even to cure the circumstance. The endured inefficiency to see the issue from the customer's view point implied that they flopped each critical juncture of truth with a definitive punishment of losing the business of the customer in future. One transient customer can tell numerous other potential customers regarding their disappointment.

There are a considerable number of transient customers for any retail business or store. These customers continuously try to find a store that offers customer service that matches their expectations. Stores which provide excellent customer service programs have the opportunity to convert these transient customers into their loyal customers. Thus, superior customer service can play a vital role in building sales volume for the retailers. Globally, retailers like McDonald's, Walmart, Disney World and Marriot have differentiated themselves on the basis of merchandise they offer, and their superior customer service. Excellent service makes the customers repeat their purchases at the same store and helps generate a positive word-of-mouth publicity.

It is imperative for the retailing organization to place accentuation in two areas. Firstly, it is critical that the retailer knows and comprehends the customer. Numerous retailers' indicate that they do realize what customer's actually need, however in actuality it is arguable whether numerous retailers are proactive with regards to customer changes, research and prerequisites. Secondly, there must be a devotion to customer services, which thus implies a focus in the service provided by the retail staff to customers. The sales representative -customer relationship is vital to the accomplishment of customer service strategies as this is the field with significant potential for issues. A component of this is the accentuation to be put on observing the service an organization gives in customer's terms. Though a customer service revolves around customer employee connections, in any case, it doesn't imply that the frameworks and strategies of customer service can be overlooked. The frameworks are drawn upon intensely by both staff and customers. It is essential to build a long term relationship with customers and one way of doing it is to provide high class customer service.

### **13.3.1 Nature of Customer Service**

The service and merchandise offered by retailers differ on two factors, intangibility and inconsistency. Many of the services provided to customers do not have a physical form and are intangible. Customers can see/touch a trouser but cannot feel (see or touch) the service provided by the assisting salesperson. These factors make it difficult for both the retailer and the customer to measure and evaluate the services offered. Customers, while evaluating the merchandise, can use many physical cues like color, size, weight, fit etc., but while evaluating services, the same customers do not have any such physical cues. This makes it even more difficult for the retailer to offer and maintain the kind of high quality service that customers expect. Retailers too cannot measure or evaluate their service before delivering it to their customers. However, the quality of service provided by retailers can vary considerably from store to store, customer to customer and even within a store. This is because services are delivered by people, and it is difficult to check the performance of its personnel always. The same salesmen can provide good service to some customers and poor service to others. Since it is difficult to provide a superior customer service consistently, a



## **Block 4: Managing the Retail Store**

retailer who succeeds in doing so gains sustainable competitive advantage. Though large retailers can have a price advantage, small retailers generally try to gain a strategic advantage through customized customer service.

### **13.3.2 Customer Service Strategies**

Retailers, to develop an enduring competitive advantage, usually follow two approaches, customization and standardization.

#### **Customization**

Customization involves tailoring the goods and services as per the individual needs of customers. Such an approach motivates the service providers to customize their services according to the personal needs of their customers. Typically, customization helps retailers provide superior customer service. However, the service provided might not be consistent, as its delivery is based on the judgment and capability of the service provider. Further, customizing the services can be expensive because it requires a number of well-trained service providers.

#### **Standardization**

Standardization refers to the process of conforming to standards (a set of rules and procedures) while providing service to customers. Standardization helps minimize various inconsistencies in customer service. The global fast food major McDonald's serves its customers with the same food and service in all its stores across the globe. McDonald's has standardized its customer service initiatives by strictly enforcing the QSCV (Quality, Service, Cleanliness, Value) policy across all its restaurants. QSCV ensures superior quality food and excellent service. Store design and layout are also considered to be a part of the standardization process. Very often, it has been observed that customers do not like to avail the services provided by the sales personnel of a store and prefer to locate the merchandise themselves. Retailers can therefore, offer good service to its customers by designing the layout of the store in such a manner that the customers can locate the merchandise easily and quickly.

Some self-service retailers place computer kiosks throughout the store to assist the customers in locating and selecting the merchandise.

#### **Example: NikeiD's Customization and Customer Loyalty**

Nike, is an American multinational corporation that is engaged in designing, marketing, and distribution of authentic athletic footwear, apparel, equipment, and accessories for a wide variety of sports and fitness activities. Nike By You or NikeiD from Nike is a perfect example of mass customization in marketing and manufacturing. It allows customers to personalize their own Nike products, including clothing and footwear, from colors and materials to style.

*Contd....*

Nike's 3D sneaker customization platform, customers can build custom-designed shoes that are made to fit their feet and style perfectly. Nike's personalized NikePlus loyalty program provides personalized benefits and unique product recommendations.

Sources: i) Morgan, B. (March 29, 2021). *The 20 Most Compelling Examples Of Personalization*. Retrieved from <https://www.forbes.com/sites/blakemorgan/2021/03/29/the-20-most-compelling-examples-of-personalization/?sh=242f594671b1>. Accessed on 08-08-2022.

ii) Vaidya, D. (September 27, 2020). *What Is Mass Customization?*. Retrieved from <https://www.wallstreetmojo.com/mass-customization/>. Accessed on 08-08-2022

### 13.4 Types of Customer Services

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As Sam Walton, the founder of Walmart, has rightly put, “The goal as a company is to have customer service that is just not the best but legendary”, A good customer service builds trust, customer loyalty and spread brand awareness through word-of-mouth. As discussed earlier, services in a retail store are usually delivered at three levels, pre-transaction, transaction and post transaction.

#### 13.4.1 Pre-Transaction Services

These help the potential customers to find out the store's merchandise offering easily. Convenient store hours are the most basic and most important service that any retailer can offer to its customers. Convenient store hours make it easier for the customers to visit the store. Retailers must determine what their customers are expecting from their stores and then measure the cost of fulfilling those expectations against the additional income that would be generated once the expectations are met. The retailers should extend their business hours if it suits the convenience of its target customers. However, they should do so only if operating for extended hours is profitable for the store. Some retailers like petrol stations and restaurants may offer round-the-clock service. Competition is a major factor that determines the operating hours of a store. It will not be wise to shut the store by 7 pm when every other retailer in the vicinity operates till 10 pm.

These days, a majority of retailers provide their customers with many informational tools that facilitate wise decision making while purchasing goods and services. Many of the large retailers provide their target customers with all the information pertaining to exchange policies, credit policies, merchandise offered and prices of merchandise, using sources like online catalogs. Most large retailers today have their own websites. Retailers often give demonstrations on the usage, operation, and maintenance of products. Most customers are averse to buying products without having proper knowledge of their application. If the store demonstrates the usage of the product, customers will certainly be less reluctant to try and buy new products. Some retailers even provide users guides that provide useful information about a product or service.

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### **13.4.2 Transaction Services**

Transaction services are those services that are delivered to customers while they are shopping in the store and carrying out business transactions. The most commonly offered transaction services include credit facilities, gift-wrapping packing, personal shopping and personal selling. These services help customers to make a business transaction conveniently and quickly.

Providing credit facilities is one of the most popular transaction services offered by a retailer. Retailers help customers purchase the goods without the need to carry cash. Apart from this, it provides a 'buy now pay later' facility. Offering credit services helps retailers increase their sales as it encourages the impulsive buying behavior of customers and makes the purchase of expensive goods much easier. However, offering in-house credit facility with easy credit policies can sometimes have a negative effect on the profits. Mobile bill payment system is fast gathering momentum across the world, the latest being the services provided by Apple gateway where the customers owning iPhone 6 and iPhone6+ can make the payment through their mobile phones.

Retailers can serve their customers better by offering excellent packaging. The packing service of a retailer should be well coordinated with the overall image of the store and the type of merchandise it sells. Though a nominal fee is generally charged for merchandise wrapping, some large retailers offer this service for free as a goodwill gesture.

Merchandise availability is a type of transaction service that helps customers locate the merchandise they wish to buy. There can be many reasons due to which customers might not find the merchandise they are looking for. However, the most common ones are: merchandise might have been stocked out, merchandise might not have been displayed in the place where customers expect it to be, or the customer might not know what he wants to buy. Though, stock-outs cannot be avoided completely, the retailer can minimize stock-out situations through effective merchandise management practices. By having a well-designed layout along with various point of purchase displays and helpful sales personnel, retailers can make it relatively easier for customers to locate the merchandise they are looking for. Retailers should not overlook transaction services, because if customers fail to find the merchandise they require, irrespective of the reasons, it can lead to negative word-of-mouth communication.

Having strong, customer-friendly sales personnel is the most important transaction service that a retailer can provide. Personal selling can have a significant effect on customer satisfaction by providing a good shopping experience to the customer.

Customers usually evaluate a sales transaction by the time taken to check out of the store after the merchandise has been selected, the friendly nature of employees

at the billing counter, and honoring credit cards. The final sales transaction services offered by a retailer should ensure that customers do not leave the store with any bad experiences.

### **13.4.3 Post Transaction Services**

Post transaction services are those services that are provided by the retailer to the customers after the merchandise or the services have been purchased. Retaining a customer is the most complex task for a retailer because of the increasing competition. Hence, most of the large retailers are now developing customer loyalty programs.

Apart from offering loyalty programs, complaint handling, merchandise exchange handling, repairing, free service and delivery are some of the most common post transaction services offered by retailers.

Handling customer complaints effectively can have a very positive impact even on the most dissatisfied customers. While dealing with dissatisfied customers, there is a greater probability of misunderstanding. Such misunderstandings between the employees and customers can tarnish the retailer's image. There are several ways in which a retailer can handle and resolve the problems of its customers. Some large retailers may have a centralized customer grievances cell, which handles all the grievances of customers and makes attempts to resolve them. The employees of this cell are specialized in handling and resolving the customer problems. Some retailers assign the job of handling complaints and resolving problems to a single individual who is friendly and sympathetic by nature. However, an individual salesperson might not always have the complete authority to resolve the problem. There are three fundamental rules that the retailers should follow, irrespective of the complaint handling mechanism they adopt. Customers expect and deserve respectful treatment, fair problem solving and proper attention. The retailer should ensure that the customer should not be lost even if the sale is lost.

“Goods once sold will not be taken back or exchanged”, “Merchandise sold is exchanged during week days from 1 pm to 3 pm, subject to the condition of the merchandise” are the most commonly found tag lines in fine print on the invoice of any merchandise purchased. Handling merchandise returns and exchanges is the most important post transaction service. It can sometimes be a differential between profit and loss. A moderate exchange policy can build customer goodwill effectively.

Because of the return and exchange facility, retailers' money would be locked up for that period. Further, the item would be stocked out. In order to control these losses, retailers usually set the validity of their return policy. For example, the goods should be exchanged or returned within seven days from the purchase date.

## Block 4: Managing the Retail Store

Offering service and repair facilities for the merchandise being carried can be a key factor for attracting new customers. Many customers are cautious to find out about these services while purchasing goods, especially electronic goods. The quality of repair and service facilities can also generate repeat purchases. Most of the car dealers these days are offering around the clock breakdown service at any place.

Home delivery, an expensive post transaction service is being offered by an increasing number of retailers to increase customer satisfaction.

### **Example: MG Motor's e-Pay Transaction Service**

MG Motor India Private Limited is an automobile manufacturer in India. In March, 2022, MG Motor India launched e-Pay, a one-stop platform for online car finance. Instant loan approval was made feasible with it. MG partnered with several banks in India to offer instant financing option. MG e-Pay, the app, offers fast and convenient option for finance of vehicles. The app has enabled flexible and quick loan processing and approval. Pre-approved loan offers, customized loan tenure and amount as per request has accelerated the process for customers.

*Source: (March 24, 2022). Retrieved from <https://www.livemint.com/companies/news/mg-motor-india-launches-end-to-end-online-financing-facility-epay-11648119808784.html>. Accessed on 08-08-2022*

## **13.5 Customer Evaluation of Service Quality**

Always keep in mind the old retail adage: Customers remember the service a lot longer than they remember the price. – Lauren Freedman.

The business condition is getting progressively unforgiving. Intense rivalry from both household and remote organizations, combined with an expanding consciousness of shopper rights, has prompted incredible desires and requests by customers. For serious endurance, organizations are concentrating on territories in their activities that may give them an edge over their rivals. A key zone has been the conveyance of elevated levels of service quality. Service quality is progressively being offered as a procedure by the advertisers to situate themselves all the more adequately in the commercial place. Conveying quality in service has been demonstrated to be a significant system for marketers because good service helps to promote customer allegiance and withholding, which is crucial for any retail organizations. Service quality is usually noted as basic essential and determinants of intensity for building up and supporting relationship with customers. Service quality covers how clients' prerequisites and want are met, just as how the service conveyed coordinated clients' desires. Service quality might be seen from three points of view: the exhibition of the item, conduct of

service provider's staff and mentality of clients. However the assorted perspective of service quality and its elusiveness trademark drives one to expedited service quality as the outcome from examinations by clients' desires with their impression of service conveyed by a service association.

Service quality is a mind boggling build that is one of the most examined constructs in the marketing discipline. It is for the most part seen as an in general assessment of the service rendered. It has additionally been seen as a multidimensional envelope shaped from the purchaser's assessment of various service related traits. Estimating service quality appears to present challenges for service providing organizations as a result of the one of a kind attributes of service: intangibility, heterogeneity, inseparability and perishability. Theoretically service quality is characterized as worldwide judgment or demeanour identifying with the general greatness or prevalence of the service. It includes an examination of customer desires with customer view of genuine service execution. Parasuraman, Ananthanarayanan, Valarie A. Zeithaml, and Leonard L. Berry in 1988 developed a SERQUAL scale to measure the service quality concept. This scale includes five service quality dimensions including: tangibles, reliability, responsiveness, assurance and empathy.

While evaluating the services provided by retailers, customers compare the services they receive with the services expected by them. When the services received meet, or exceed the services expected, customers are satisfied. However, they are dissatisfied when the services received by them do not match their service expectations. Expectations are based on the knowledge and experience of customers. Expectations can vary from customer to customer and from retailer to retailer. A customer who may be satisfied with a low level of service at a retail outlet may not be satisfied with high service levels of another retailer. For example, though the actual service offered by Wal-Mart is lower than the service expected from a typical departmental store, the customers are satisfied by the services provided. This is because of the unusual service provided by Wal-Mart. At every store, one of its employees stands at the entrance to greet the customers and answer their queries.

The evaluation of the service offered by a store usually depends on perceptions of customers. Though perceptions are influenced by the services actually provided, accurate evaluation of a service is difficult as it is intangible. Sales personnel are the major determinants of the customer's perception of service provided by the retailer. The satisfaction or dissatisfaction of a customer arises from the gap between the perceived service and the actual service provided. As there is always a gap between the customer's expected service and the actual service offered, retailers should understand the need to provide their customers with superior quality services.

#### Block 4: Managing the Retail Store

##### **Example: Ohlolly has Customer Evaluation of Service Quality at Helm of Affairs**

Ohlolly is a Korean beauty brand. The brand is a huge success in Los Angeles beauty community with their exmpolary customer services. The business as described by its owner is a, "A place where customers were treated like friends."

Customer service takes lead in the business model of OhLolly. They sought to offer personalized products and hence asked for feedback on its brands. This feedback helps Ohlolly come up with perfect beauty solution for its customers.

*Source: Bernazzani, S. (August 19, 2021). What Good Customer Service Looks Like. Retrieved from <https://blog.hubspot.com/service/good-customer-service>. Accessed on 08-08-2022*

##### **Activity 13.1**

Study the online reviews of three leading restaurants in your city and analyze them to identify the gaps in their service. Categorize the various gaps into the five gaps model. Elaborate upon the gap which figures the maximum in your list and find out the possible reasons for the same.

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#### **Check Your Progress - 1**

1. Which of the following denotes tailoring the goods and services as per the individual needs of customers?
  - a. Customization
  - b. Standardization
  - c. Modularity
  - d. Integration of the product
  - e. Build to Order (BTO)
2. McDonald's has standardized its customer service initiatives by strictly enforcing the QSCV policy across all its restaurants. QSCV service policy basically means which of the following?
  - a. QSCV (Quality, Service, Compassion, Value)
  - b. QSCV (Quantity, Service, Cleanliness, Value)
  - c. QSCV (Quality, Service, Cleanliness, Value)
  - d. QSCV (Quality, Surety, Cleanliness, Value)
  - e. QSCV (Quality, Safety, Cleanliness, Value)

3. Services in a retail store are usually delivered at three levels. What are they?
    - a. Pre-transaction, post transaction and during installation
    - b. Pre-transaction, transaction, and post transaction.
    - c. Before transaction, transaction and after sale service.
    - d. Pre-purchase, post purchase and after purchase.
    - e. Pre-purchase, purchase and after purchase.
  4. While evaluating the services provided by retailers, customers compare the services they receive with the services expected by them. Which of the following statement is **not true** with reference to their expectation and perception of services?
    - a. When the services received meet, or exceed the services expected, customers are satisfied.
    - b. When the services received by them do not match their service expectations, they are dissatisfied.
    - c. Expectations are based on the knowledge and experience of customers.
    - d. Expectations can vary from customer to customer.
    - e. When the services received exceed the services expected, the customers are dejected.
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### 13.6 Gaps Model for Improving the Quality of Service

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The Gaps Model for improving the quality of service was given by Valerie Zeithaml and the Center for Retailing Studies at the Texas A&M University. The model gives insights into the various obstacles that may hinder a retailer's ability to close or otherwise minimize the gap between the customers' expectations and the perceived service (the customer's perception of the actual service received). For example, the level of service expectations from a fast-food outlet will certainly be different from that of a restaurant at a star hotel. There are many factors that influence the customers' expectations. They include advertising and sales promotions, personal needs, word-of-mouth publicity and competitive offerings. The success of a retailer in developing superior services lies in understanding the wants and needs of customers and the way customers evaluate the merchandise and services received. There are four key potential gaps that a retailer should understand in order to evaluate the service satisfaction:

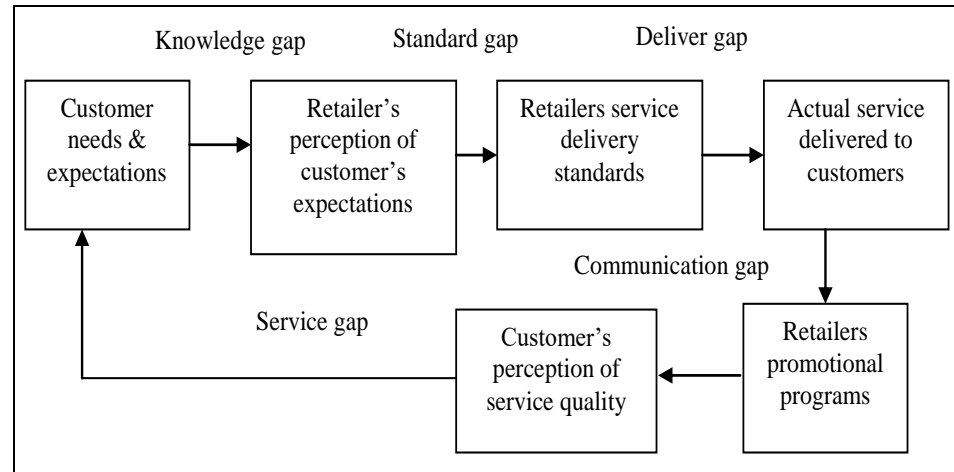
- Gap 1: Lack of knowledge regarding customer expectations or the knowledge gap
- Gap 2: Lack of appropriate service standards or the standard gap
- Gap 3: Failure to deliver the promised service standards or the delivery gap
- Gap 4: Failure to deliver the performance as per the promises made or the communications gap



## Block 4: Managing the Retail Store

These four potential gaps together form the service gap. Figure 13.1 depicts the GAPS model for improving the quality of customer service.

**Figure 13.1: The GAPS Model for Improving Quality of Customer Service**



*Adapted from Parasuraman, Zeithaml and Berry, "A Conceptual Model of Service Quality and its Implications for Future Research", Journal of Marketing, Fall 1985, pp. 41-50*

The objective of a retailer is to reduce the service gap by minimizing each of these four gaps. Thus, the key to improve the quality of service is to:

- i. Understand the customer expectations on the level of service quality (the knowledge gap)
- ii. Develop standards for delivering customer services (standards gap)
- iii. Execute programs that deliver services that match the standards set (delivery gap) and
- iv. Develop communication programs that convey information on various services offered by the retailer (communication gap)

### 13.6.1 Knowledge Gap

Retailers should have complete knowledge of customer expectations from a store. Acquiring this knowledge can be as simple as interacting with customers on a regular basis or it can be as complex as conducting thorough research on customers (including focus group studies, satisfaction surveys and brainstorming sessions). Some retailers develop programs for analyzing the service expectations and perceptions of their customers. These programs usually involve getting questionnaires filled up by customers visiting the store and then analyzing them. Retailing major JC Penney conducts these kinds of studies annually as a part of its regular quality improvement process. Some retailers, survey their customers immediately after closing the transaction. This type of survey helps the retailer get, up-to-date information about the service expectations and perceptions of customers. Such surveys make the customer notice the retailer's concern for

providing better service. The survey's ability to collect feedback related to a specific encounter helps managers reward employees delivering good service and improve those who deliver average or poor service.

In some stores, managers interact with a panel of selected customers who share their experiences at the store while shopping and give suggestions for improving the service. Complaints form, another important source of information about the quality of service at a retail outlet. Through complaints, retailers can interact with customers and can get detailed information about their quality of service and merchandise. Sales personnel and other staff members, who interact with customers on a regular basis, know a lot about the service expectations and perceptions of customers. This information can be accessed only if there is an open channel of communication across the retail organization.

**Example: Glossier Built Around Listening to Customers**

Glossier is a New York based company of beauty care and skin care. Glossier has a customer-centric business model which has made it an industry disruptor. The brand is built around the opinions of real women after carefully listening to customer feedback by the owner Emily Weiss. Emily engaged with readers over her blog and over social media to build a brand that aligns to the need of customers' wants.

Glossier launched its sunscreen that was not sticky nor did it smell like sunblock. Many of its customers wrote over Instagram thanking the company for listening to them. Also most of its products are vegan and cruelty-free and is another example of brand listening and implementing customer feedback.

*Source: Bernazzani, S. (August 19, 2021). What Good Customer Service Looks Like. Retrieved from <https://blog.hubspot.com/service/good-customer-service>. Accessed on 08-08-2022*

**13.6.2 Standards Gap**

Apart from understanding customer needs, retailers should also set some service standards. Clearly defined service quality standards help employees understand how the company and its customers define a quality job. In order to close the standards gap, retailers should focus on:

- i. Providing high service quality;
- ii. Providing innovative solutions to various service related issues;
- iii. Defining and describing the role of people delivering the service;
- iv. Establishing service objectives; and
- v. Measuring the performance of the service.

The commitment of the top management is necessary to attain high levels of service quality. The top management should be prepared to deal with any temporary problems and costs that arise when improving service quality.

## **Block 4: Managing the Retail Store**

Management's concern for service quality should be clearly demonstrated to the service providers. Though the top management develops the quality standards, it is the store managers who meet and maintain these standards. Store managers should ensure that service providers' attempts to deliver superior service are recognized and rewarded. Rewarding service providers on the basis of the quality of service they provide can encourage the sales personnel to make service, as their key personal goal. Generally, retailers do not set high service standards, as they perceive them to be too expensive for them or too difficult for current employees to achieve. Such a perception shows the lack of a positive approach to an issue.

Retailers can improve customer service by exploring new ways of dealing with various service issues. Technology can help retailers simplify and improve the quality of customer service. Retailers can implement an automated system to handle routine tasks so that the employees are free to deal with the more demanding queries and problems of customers. Though managers can ask service providers to deliver superior service, the service providers cannot do so until a clear definition of superior service is established. In order to deliver excellent service, retailers should establish goals that guide employees. These service goals should be developed on the basis of the needs and expectations of customers. Employees are motivated to accomplish service goals when the goals are specific and measurable, and when employees are involved in goal setting. The quality of the service should be evaluated on a regular basis to ensure the achievability of the service goals. Most retailers use timely customer surveys to measure the quality of the service.

### **13.6.3 Delivery Gap**

In order to minimize or close the delivery gap and deliver services that exceed the set standards, retailers should provide employees with the necessary knowledge and skills, material and emotional support, and empower them to act in the best interests of customers and the organization. The inter-personal skills of service providers should be improved, and they should be trained in various customer-handling techniques. The employees should be provided with the appropriate systems and equipment for delivering efficient service. Service providers should also receive sufficient emotional support from their supervisors and co-workers. Providing service providers with guidelines and policy of service with a clear description of the rationale behind them can minimize potential conflicts in the organization. The quality of service can be improved by empowering the staff at the operational level of the organization to take important decisions. It has also been found that the quality of service improves significantly when incentives are based on the quality of service delivered.

### **13.6.4 Communication Gap**

Retailers generally raise the expectations of their target customers through advertising and other forms of communication. If any of their communication

channels raise customer expectations to unrealistic levels, the actual experience at the store will disappoint customers. Retailers can minimize the communication gap by making realistic commitments and managing customer expectations.

There should be a clear line of communication between the marketing department and the operations department since the marketing department develops the advertisements and operations department delivers the services. Any miscommunication between these two departments would lead to a mismatch between the promises made through the advertisements and the services actually delivered.

Thus, to provide excellent service quality, retailers should pay attention to minute details, measure the perceptions and expectations of customers, and develop systems for addressing customer service. The management of a retail store along with its service providers must clearly establish service goals and obtain the necessary resources for delivering the promised services.

### **13.7 Service Recovery**

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Customer complaints are an excellent source of information to judge the quality of merchandise and services being provided. Retailers can modify their service programs on the basis of information received through complaints, thus improving customer satisfaction. They can strengthen their relationship with customers by responding to complaints and addressing various service related issues. Most retailers develop their own policies for handling complaints and customer problems. Retailers, on identifying a correctable problem, try to solve it instantly and apologize for the trouble caused. However, in most situations, it is not possible to identify the cause of the problem. The problem could have been caused by the salesman's rude behaviour or the poor law and order situation that forced the store to close early. In such situations, it is very difficult to rectify the mistakes.

In all cases, the following steps should be taken for service recovery:

- Listening to customers
- Providing a fair solution
- Resolving the problem quickly

#### **13.7.1 Listening to the Customer**

Generally, customers get very emotional when they have a problem with a retailer; and such emotions can be controlled by letting customers freely express their feelings, without interruption. It is not easy to pacify such customers. In such situations, customers expect a sympathetic response from the store personnel. Therefore, the service providers should show their eagerness to solve customer problems. They should approach the problem with an open mind, should listen to

## **Block 4: Managing the Retail Store**

customers with utmost attention, and try to understand what type of solution is expected. The service providers should never indicate that they are already aware of the customer's problem.

### **13.7.2 Providing a Fair Solution**

When solving a customer problem, service providers should think of ways to retain the customer. Handling customers' problems in a fair manner can create a favorable impression of the store. Customers generally evaluate the way their problem was resolved by comparing the treatment provided to them with the treatment provided to others facing a similar problem. These evaluations of customers are based on distributive and procedural fairness.

Distributive fairness refers to the customer's perception of the value received in comparison with the price paid for it, the problems faced, or the loss (if any). They would like to get the most out of what they paid for. The need of the customer (for a product being purchased) has a significant influence on his value and cost perceptions. Generally, customers expect a tangible solution for their problem rather than an intangible one. If the retailer is not able to provide a tangible solution to a customer's problem, then it is better to assure the customer that his or her complaint will be taken care of in the future. This can be done by putting up a note to the manager about the problem in the presence of the customer, or by informing the customer about the actions taken to avoid such problems in the future.

Procedural fairness refers to the customer's perception of the fairness of the process of solving the customer's problems. When assessing the fairness of a process used for resolving a problem, customers ask three questions:

- Did the service provider gather all the required information about the problem or the complaint?
- Did the service provider use the information gathered to solve the problem?
- Was the solution of the problem influenced by the customer?

Generally, customers feel that their problem has been addressed fairly when the service providers follow the company guidelines strictly. Guidelines reduce inconsistencies in problem solving, thus making customers feel that they were treated fairly and equally like everyone else. However, following guidelines strictly has its drawbacks. Therefore, the service providers are allowed some flexibility when handling complaints and resolving problems. This flexibility makes customers feel that they have influenced the problem resolution process.

### **13.7.3 Resolving Problems Quickly**

The time taken to resolve a particular problem has a significant effect on the level of customer satisfaction. The longer the time taken for a problem to be resolved,

the more dissatisfied the customer will be with the service and the overall experience at the store. The time taken for resolving a problem can be minimized by:

- Bringing down the number of contacts
- Providing clear instructions on the store policies
- Speaking from the customer's angle

Though customer satisfaction increases when customer problems are resolved quickly, solving problems without proper care can lead to customer dissatisfaction. Hence, retailers should strike a balance between solving a problem quickly and taking time to listen to the customer.

**Example: The Ritz-Carlton Resolves Customer Problems by Empowering its Employees**

The Ritz-Carlton Hotel Company, LLC is an American multinational company that operates the luxury hotel chain known as The Ritz –Carlton. The company is committed to customer service with exceptional devotion so much so that each employee is authorized to spend an amount of about \$2000 per day so as to enhance customer experience.

John DiJulius, a customer at the Ritz-Carlton Hotel describes his experience of staying at the hotel. At one of his stays at Ritz-Carlton Sarasota, he had to leave in a rush to the airport wherein he forgot to pack his laptop charger. He decided to call back at the hotel once he reached his office but before he could do so he got a package from Ritz-Carlton with his charger in it and a note in it from an employee in Loss Prevention department at the Hotel.

*Source: Bernazzani, S. (August 19, 2021). What Good Customer Service Looks Like. Retrieved from <https://blog.hubspot.com/service/good-customer-service>. Accessed on 08-08-2022*

**Activity 13.2**

Conduct a formal interview with the proprietor of a retail outlet in your locality. Extract valid information on the how he or she value Customer Relationship Management and retention. Explain how it helped him or her in service recovery in the past.

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**Check Your Progress - 2**

5. The Gaps Model for improving the quality of service was given by Valerie Zeithaml and the Center for Retailing Studies at which of the following universities?
  - a. Texas A&M University
  - b. MIT
  - c. University of Queensland
  - d. Stanford University
  - e. Purdue University
6. There are four key potential gaps that a retailer should understand in order to evaluate the service satisfaction. What are they?
  - a. Customer gap, Standard gap, Delivery gap and Communications gap
  - b. Knowledge gap, Standard gap, Delivery gap and Communications gap
  - c. Knowledge gap, Standard gap, Distribution gap and Communications gap
  - d. Knowledge gap, Delivery gap, Communications gap and Transaction gap
  - e. Service gap, Standard gap, Delivery gap and Communications gap
7. Service recovery plays an important role in retaining customers and building customer loyalty. Which of the following is not a suitable action deployed in service recovery process?
  - a. Listening to customers
  - b. Providing a fair solution
  - c. Resolving the problem quickly
  - d. Skilfully arguing with the customer
  - e. Acknowledging the lapse in service and apologizing for the same.
8. The time taken to resolve a problem has a significant effect on the level of customer satisfaction. In the service recovery process, which of these actions may not help in minimizing the time taken for resolving a problem?
  - a. Increasing the number of contacts level through which the customer grievance is processed.
  - b. Providing clear instructions to customers on whom to contact, toll free lines etc.
  - c. Speaking from the customer's angle.
  - d. Empowering concerned persons to take quick decisions.
  - e. Keep the rules flexible so that employees can refer to higher-ups and solve problems as and when they occur.

9. When the organization does not know what customer's expectations are with reference to the service being offered by the organization, there is a gap in understanding the customer needs. Which of the following gaps in the GAP model is referred here?
  - a. Standard GAP
  - b. Delivery GAP
  - c. Service GAP
  - d. Knowledge GAP
  - e. Communication GAP
10. When a service organization is unable to meet the performance according to its promise, it results in service GAP. This GAP in the service GAP Model is referred to as which of the following?
  - a. Standard GAP
  - b. Delivery GAP
  - c. Service GAP
  - d. Knowledge GAP
  - e. Communication GAP

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### **13.8 Summary**

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- Providing superior service has always been a complex and challenging job for retailers. This is because of the intangible and inconsistent nature of services. Retailers generally use customization and standardization to deliver customer services.
- While customization motivates the service providers to customize services according to the needs of individual customers, standardization ensures that they follow established guidelines when delivering service.
- The various services provided by retailers to customers can be grouped under three categories; pre-transaction, transaction, and post transaction services. Convenient store hours and information availability are the most common pre-transaction services offered to customers.
- Pre-transaction services help target customers gather information about a store's merchandise and methods for purchasing it easily. Transaction services are delivered to customers while they are shopping at a store. Post transaction services are provided by retailers after the merchandise or the services have been purchased.
- Customers evaluate the quality of a service by comparing the actual service delivered at the store with the service expected. The gap between the perceived quality of service and the expected quality of service has led to the



## Block 4: Managing the Retail Store

identification of four types of gaps in service quality being delivered: Knowledge gap, Standards gap, Delivery gap and the Communication gap. These four gaps together form the Service gap.

- In order to improve the quality of service, retailers have to minimize, the service gap between the delivered and the expected service. Retailers can close the gap by finding out customer expectations, establishing standards for delivering the expected service to customers, providing instrumental and emotional support to service providers, and communicating the merchandise and the service offerings to customers in a realistic manner.
- The failure to provide services according to the set standards leaves the retailer with little opportunity to build and strengthen relationships with his customers. Though recovering a service failure is very difficult, retailers can re-establish and strengthen their bonds with customers by following a three-step procedure; listening to customers, providing a fair solution, and resolving the problem quickly.
- Customer service has become the major determinant of retailing success. Retailers can earn maximum profits only by developing integrated customer service programs.

### 13.9 Glossary

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**Customization:** It involves tailoring the goods and services as per the individual needs of customers.

**GAP Model:** It gives insights into the various obstacles that may hinder a retailer's ability to close or otherwise minimize the gap between the customers' expectations and the perceived service (the customer's perception of the actual service received).

**Post Transaction Services:** It is those services that are provided by the retailer to the customers after the merchandise or the services have been purchased.

**Service Recovery:** It is the process of addressing the customer grievances at the earliest to ensure customers affinity and loyalty towards the brand and organization.

**Standardization:** It refers to the process of conforming to standards (a set of rules and procedures) while providing service to customers.

**Transaction Services:** They are those services that are delivered to customers while they are shopping in the store and carrying out business transactions.

### 13.10 Self-Assessment Test

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1. What is the strategic advantage of customer service in a retail organization? Explain.
2. Elucidate the various Customer Service Strategies.

3. What are the types of customer services offered? Explain the various services offered in a retail organization.
4. Explain the GAP model used for improving service quality.
5. What do you mean by service recovery? Explain the various steps taken for service recovery in a retail organization.

### **13.11 Suggested Readings/Reference Material**

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1. Giri Arunangshu and Chatterjee Satakshi, "Retail Management: Text & Cases" Paperback, PHI Learning Pvt. Ltd., 2021.
2. Swapna Pradhan, "Retailing Management: Text and Cases", McGraw Hill, Sixth Edition, 2020.
3. Barry Berman, Joel R Evans, Patrali Chatterjee and Ritu Srivastava, "Retail Management", Thirteenth Edition Pearson Education, 2017.
4. Gibson G.Vedamani, "Retail Management", 5<sup>th</sup> edition, Pearson Education, 2017.

### **13.12 Answers to Check Your Progress Questions**

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**1. (a) Customization**

Customization involves tailoring the goods and services as per the individual needs of customers.

**2. (c) QSCV (Quality, Service, Cleanliness, Value)**

McDonald's has standardized its customer service initiatives by strictly enforcing the QSCV (Quality, Service, Cleanliness, Value) policy across all its restaurants.

**3. (b) Pre transaction, transaction and post transaction.**

Services in a retail store are usually delivered at three levels. These levels are: Pre transaction, transaction and post transaction.

**4. (e) When the services received exceed the services expected, the customers are dejected.**

While evaluating the services provided by retailers, customers compare the services they receive with the services expected by them. When the services received meet or exceed the services expected, customers are satisfied.

**5. (a) Texas A&M University**

The Gaps Model for improving the quality of service was given by Valerie Zenthaml and the Center for Retailing Studies at Texas A&M University.

#### **Block 4: Managing the Retail Store**

**6. (b) Knowledge gap, Standard gap, Delivery gap and Communications gap**

There are four key potential gaps that a retailer should understand in order to evaluate the service satisfaction. These gaps are: Customer gap, Standard gap, Delivery gap and Communications gap.

**7. (d) Skilfully arguing with the customer.**

Service recovery plays an important role in retaining customers and building customer loyalty. The steps widely used in service recovery process are listening to customers, providing a fair solution and resolving the problem quickly. While all solutions given help in service recovery, option 'd', arguing with the customer irritates the customer and complicates the problem instead of aiding service recovery.

**8. (e) Keep the rules flexible so that employees can refer to higher-ups and solve problems as and when they occur.**

The time taken to resolve a particular problem has a significant effect on the level of customer satisfaction. In the service recovery process, the time taken for resolving a problem can be minimized by bringing down the number of contacts, providing clear instructions on the store policies and speaking from the customer's angle. While all the above-mentioned solutions help in quick recovery, keeping rules flexible (option e) creates confusion. In the absence of clear policy, employees would take different decisions and this would delay and stand in the way of quick service recovery.

**9. (d) Knowledge GAP**

Lack of knowledge regarding customer expectations from the service is called knowledge gap.

**10. (e) Communication GAP**

When a service organization is unable to meet the performance according to its promise, it results in service GAP. This GAP in the service GAP Model is referred to as communication GAP.

## Unit 14

# Retail Selling

### Structure

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- 14.1 Introduction
- 14.2 Objectives
- 14.3 Role of a Retail Salesperson
- 14.4 Role of Personal Selling in Retail Promotion Mix
- 14.5 Requirement For Effective Selling
- 14.6 Retail Selling Process
- 14.7 Evaluation of a Salesperson
- 14.8 Summary
- 14.9 Glossary
- 14.10 Self-Assessment Test
- 14.11 Suggested Readings/Reference Material
- 14.12 Answers to Check Your Progress Questions

*“Pretend that every single person you meet has a sign around his or her neck that says, "Make me feel important." Not only will you succeed in sales, you will succeed in life.”*

- Mary Kay Ash, American businesswoman  
and founder of Mary Kay Cosmetics, Inc.

### 14.1 Introduction

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For the retail selling process, the salesperson is the major element who needs to participate in multiple activities to make this process a success. Thorough knowledge to carry out all these processes efficiently is crucial for retail selling.

The retail industry is becoming increasingly competitive. To gain advantage over their competitors, retailers are adopting new store formats. The existing store formats like department stores, specialty stores, discount stores and warehouse stores are competing with each other by differentiating themselves on the basis of price and the customer service they provide. Thus, the importance of salespeople in the retailing industry is growing tremendously. A salesperson serves the consumer and tries to make his shopping experience pleasant. In addition, the salesperson also provides the consumer with information that will help him satisfy his needs.

## **Block 4: Managing the Retail Store**

The challenge to retail stores is people. Other than employees, all retail stores have the same system, processes, and almost similar types of products. Thus, the key differentiator in a retail store is its employees.

In this unit, we examine the role of the salesperson in promoting retail selling and the significance of the salesperson in personal selling. We also analyze the various steps involved in the retail selling process and the requirements of an effective salesperson.

### **14.2 Objectives**

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After reading through this unit, you should be able to:

- Underline the role of a retail salesperson for effectively communicating with the customers
- Explain the significance personnel selling for convincing a customer to make purchase decisions
- Discuss the basic requirements expected from a salesperson for sustaining the customers and the market
- Apply various approaches for capturing customer's attention while selling merchandise
- Evaluate the performance of a salesperson who in turn helps in establishing the firm's goals.

### **14.3 Role of a Retail Salesperson**

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A retail salesperson acts as an interface between the retailer and the customer. A retail salesperson communicates with the customer to help him evaluate the merchandise and encourage him to buy the product.

A retailer uses advertisements and promotional activities to create awareness among the customers and builds a strong brand image for the store. But the above activities only help the retailer to inform/educate the customer and bring him to the store. Once the customer enters the retail store, it is the salesperson who provides more information about the product and ensures that the customer buys the product.

The salesperson can tailor his communication according to the requirement of individual customers, making him the most effective communication vehicle for the customer.

A retail store, selling merchandise like shoes, consumer durables or automobiles, is supported by a salesperson who assists customers to locate the merchandise they are looking for. If a person seems to be a potential customer, the salesperson creates interest in him/her to buy the merchandise. To generate interest, a salesperson describes the product's features, demonstrates its use, and shows various models and colors available in the retail store. If the salesperson is

working in a retail consumer durable store, he has to explain the features of the merchandise, the availability of models in the retail store, warranty information, the manufacturers' specifications regarding the product, the options available as well as ways to finance the product.

Customers form an opinion on the store by evaluating its salespeople. By providing efficient service and being courteous, a salesperson helps the retailer gain good reputation and remain competitive in the market. For example, if a customer wants a merchandise that is not available on the sales floor, the salesperson can check the stockroom, place a special order, or call another store to locate the item, thereby enabling the customer to satisfy his needs. Such behavior from the retail salesperson will encourage the customer to come back to the store again.

The role of the salesperson varies from one retail store to another. The nature of the job depends on the retail store the salesperson is working for. A salesperson working in a department store or an apparel store has the responsibility to prepare sales cheques; receive cash, check, and charge payments; and give out change and receipts. Moreover, he would have to take up different responsibilities based on the time of the day that he works. Occasionally, he may have to open or close cash registers, check the cash, separate charge slips, coupons, exchange vouchers and make deposits at the cash office.

Salespersons in a retail store are also responsible for handling returns and exchange of merchandise, gift wrapping and maintaining the cleanliness of the store. They have to help stock shelves or racks, arrange for mailing or delivery of purchases, mark price tags, receive inventory, and prepare displays.

The work of a salesperson during special sales and promotional activities becomes highly demanding. At such times, salespersons should take care of the security risks and thefts and take adequate measures to prevent such situations.

In a retail store, customers demand personal attention and service. They require the suggestions of the salespeople and want to see demonstrations of the products they plan to buy. A well-trained salesperson not only sells products desired by the customer but also promotes the sale of complementary goods (suggestive selling).

Product knowledge is one of the criteria for successful retail selling. Understanding the features of the merchandise and its characteristics helps the salesperson meet the customers' demands in a better way.

**Example: Erica Feidner the Salesperson Matchmaking Customers to their Perfect Pianos**

Erica Feidner was an iconic salesperson. She sold Steinway Pianos worth more than \$40 million.

*Contd....*

## Block 4: Managing the Retail Store

Steinway Pianos have very little repeat purchase history and long sale cycle. Erica was able to achieve the arduous task by making a perfect match of customers with their perfect pianos. She was also able to ignite passion for piano in people who had never played it before nor had any ambition to do so. She would also give lessons to novice players and would listen and give tips to expert players. Her secret to successful sales deal was to be always prepared for every sale deal with tailormade approach for each client.

*Source: (August 11, 2021). 7 Famous Salespeople And What We Can Learn From Them. Retrieved from <https://pipelinecrm.com/blog/7-famous-salespeople-and-what-we-can-learn-from-them/>. Accessed on 16-08-2022*

### 14.4 Role of Personal Selling in Retail Promotion Mix

Personal selling is a way to position a product either for a new product as in the case of Ceasefire mini fire extinguisher and/or sustain the existing position as done by Eureka Forbes' vacuum cleaner and water filter. Personal selling is the process of convincing the customer about the product through personal communication. The salesperson is flexible enough to provide the information according to the need and behavior of the individual customer. Personal selling takes place at two levels;

- Retail level (Retail selling)
- Field level (Field Selling)

Retail selling takes place when a potential customer approaches a retail store. Here, the role of the salesperson is to satisfy the need of the customer with the available merchandise in the retail store.

In field selling, the salesperson approaches the customer with prior appointment and tries to make the customer a potential buyer by convincing him/her about the benefits of the product. This form of selling is also known as door-to-door selling.

Personal selling helps the salesperson build a strong relationship with the customer and learn about the requirements of prospective buyers. It also helps the salesperson to:

- Promote the merchandise of his store by explaining the benefits of the product and encouraging the customers to place an order.
- Maintain a cordial relation with the existing customers by providing information about the company's new products and services, thereby influencing them to become a loyal customer.

Personal selling acts as a direct tool for communication between the organization and the target customers.

**Example: Herbalife Counts on Personal Selling of its Dietary Supplements**

Herbalife is a global multi-level marketing company that develops and sells dietary supplements. The company adopts a direct selling business model. As each customer's need of nutrition intake varies, a personalised nutrition plan is sought by customers. This makes personal selling crucial for the sales of Herbalife products. The organization provides regular training from experts in nutrition, fitness, and coaching for the same.

*Source: (September 10, 2022). Retrieved from <https://iamherbalifenutrition.com/business-opportunity/>. Accessed on 12-10-2022*

**14.5 Requirement for Effective Selling**

In these competitive times, effective selling is becoming a challenge for the retail salesperson. He has to meet the requirements and expectations of both retailers and customers. Retailers expect a continuous increase in sales, while customers expect good customer service and value for money. Customers expect the salesperson to understand their needs and requirements and update them on the market trends. The increasing sophistication in technology and a wide variety of products has made the job of a salesperson more difficult. To become a successful salesperson, one should find time to cultivate strong relationships with customers and develop a comprehensive understanding of various industries, markets, and customers.

The salesperson should have a clear understanding of the store's policies and procedures because while making the buying decision, the customer may require this information. The salesperson should be able to provide information about safety measures, the product guarantee after-sales service etc. If the salesperson does not have adequate knowledge on the subject, he should refer the customer's query to another person in the store who could answer the query satisfactorily and clear the confusion.

There are certain fundamental skills required for a salesperson:

- Listening skills
- Questioning skills
- Ability to Interpret and Non-verbal communication skills
- Flexibility and Adaptive selling skills

**14.5.1 Listening Skills**

A salesperson who is not experienced may think that he can attract the customer's attention by being a good orator. However, to gain customer attention, a salesperson should be an attentive and good listener as well.



## **Block 4: Managing the Retail Store**

The salesperson should allow the customer to talk and should carefully listen to his requirements. Listening is more than just hearing. A salesperson may hear many things, but need not register everything in his mind. The technique of active listening includes repeating or rephrasing information, summarizing conversations, and remaining silent at times.

By listening carefully, the salesperson can understand the nature and requirement of the customer more correctly and predict what the customer is looking for. An effective salesperson is one who listens carefully and converts a prospective customer into a customer and then into a loyal customer.

### **14.5.2 Questioning Skills**

By asking questions, the salesperson can actively involve the customer in the sales process. This helps the salesperson know customers more clearly, understand their needs and thus, provide the merchandise that they need. It also helps salesperson to make complementary sales.

For questioning to be effective a retail sales person should:

*Seek long responses:* The questions asked by the salesperson should not be answerable in simple 'Yes' or 'No'. The questions of the salespersons should evoke a long response from the customer. This would help the salesperson understand the customer better, find out what the customer is looking for and provide a more efficient service.

*Space out the questions:* If a customer is bombarded with a series of questions, there is a possibility that he may feel uncomfortable and stop responding to them. Hence, a salesperson should space out the questions to the customer at various stages of the discussion.

*Keep the questions short and simple:* The salesperson should ask short and simple questions that would make the customer comfortable and feel at ease. If a salesperson asks lengthy questions, the customer may get bored and lose interest in the conversation.

### **14.5.3 Interpreting Ability and Nonverbal Communication Skills**

It is not enough for a salesperson to be a good listener. He must know how to interpret the body language of the customers and understand other forms of non-verbal communication. Awareness of the prospect's personal space, a firm and confident handshake, and accurate interpretation of body language can be of tremendous help to a salesperson. Salespeople must listen closely to what customers have to say, analyze their spoken words, and be attentive to their non-verbal communication. The eyes, gestures, vocal intonations, and overall appearance of customers reveal much about their thoughts. Salespeople must carefully note their impressions of these verbal and non-verbal expressions and structure their sales communication such that the critical product features presented, meet the customers' desires and he decides to buy the product.

### Example: Steve Jobs' Nonverbal Communication Skills

Steve Jobs was an American entrepreneur, industrial designer, business magnate, media proprietor, and investor. He understood the power of authoritative body language very well. Steve Jobs mastered the art of nonverbal communication with upright posture, authoritative expression, open body language and a commanding gait. Jobs' body language aided an absolute conviction in what he was pitching for – Apple products and himself.

*Source: Herz, S. (July 16, 2020). What Steve Jobs—and a surgeon—can teach us about using body language to boost likability, trust and respect. Retrieved from <https://www.cnn.com/2020/07/16/steve-jobs-surgeon-body-language-hacks-to-make-you-more-likable-respected-trustworthy.html>. Accessed on 28-09-2022*

#### 14.5.4 Flexibility and Adaptive Selling

A salesperson should tailor his selling techniques according to the requirements of the customer. The customers in a retail store vary in their tastes and preferences. A salesperson should be able to understand this and should provide the merchandise and service according to the requirement of customers. They should be flexible enough to change their sales presentation depending on the customer they are serving.

The main job of a retail salesperson is to attract customer's interest to the product by describing its benefits, demonstrating its use; offering them a wider choice by showing different models, sizes, colors, etc. A retail salesperson should be flexible and adaptive enough to cater to the customers' needs quickly and politely.

#### Activity 14.1

Visit a leading fashion store in your city/town and make the following observations:

- Are the sales men polite and friendly?
- Is the image of sales staff consistent with the general image of the store?
- Do the salesmen use suggestive selling to promote sales of products?

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**Check Your Progress - 1**

1. Which of the following is not an important criterion for an effective retail sale by sales personal?
  - a. Product Knowledge
  - b. Well trained sales person
  - c. Good communicator
  - d. Sensitive to customers' needs and wants
  - e. Explain all technical details about the product to the customer
2. Which of the following statement is not true about personal selling?
  - a. Personal selling takes place at two levels; Retail level (Retail selling) & Field level (Field Selling).
  - b. Retail selling takes places when a potential customer approaches a retail store.
  - c. In field selling, the customer approaches the sales person with prior appointment.
  - d. Personal selling builds customer loyalty
  - e. Personal selling helps the salesperson build a strong relationship with the customer.
3. In field selling, the salesperson approaches the customer with prior appointment and tries to make the customer a potential buyer by convincing him/her about the benefits of the product. What do you call this form of selling?
  - a. Door selling
  - b. Door- to- door selling.
  - c. Foot in the door selling
  - d. Floor selling
  - e. Foot selling
4. Salespeople usually use three approaches while selling merchandise. Which of the following is not an approach used?
  - a. Stimulus-Response Approach
  - b. Selling Formula Approach
  - c. Problem-Solving-Need-Satisfaction Approach
  - d. Stimulus-Response-Sale Approach
  - e. Need Satisfaction selling

5. Retail selling usually depends on the types of goods being sold. However, retail selling process can be broadly divided into how many steps?
- a. Six steps
  - b. Five steps
  - c. Seven steps
  - d. Four steps
  - e. Eight steps
- 

### **14.6 Retail Selling Process**

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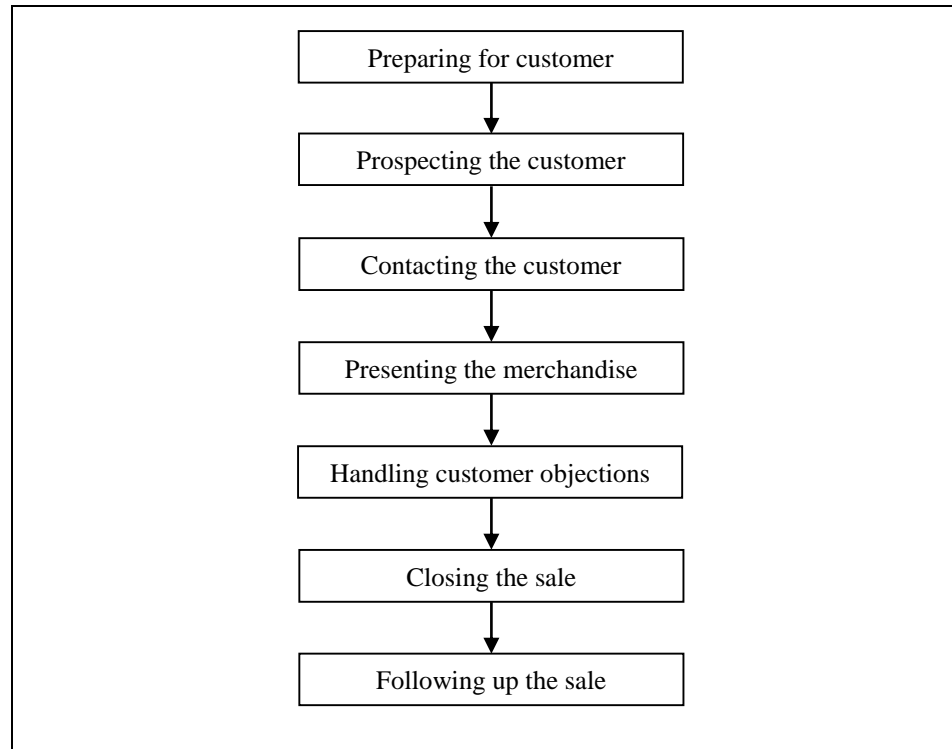
The year 2017 was nick-named as the year of ‘retail bankruptcy’ in America. More than nine US retail chains filed for bankruptcy with the expectation of closing roughly 3500 shops during this year. Though online stores were partially responsible for their downfall, Gartner survey showed that changed customer preferences while shopping in the physical store contributed a lot. ‘Service experience’ was valued at par with the product sold by salespersons. The salesperson must not only be customer-friendly, but also must effectively communicate the difference in the product offered when compared to competitors. Retail selling process, thus, becomes an art by itself in today’s world. In the process, retail salesmen adopt various approaches to sell their merchandise. Irrespective of the selling approach adopted by them, there would be certain basic steps that a retail salesperson follows, which together constitute the retail selling process.

However, the time a salesperson devotes to each of these processes may vary depending on the merchandise type, the customer and the situation. Therefore, the process of retail selling involves all activities that a salesperson undertakes to facilitate the customers in making their purchase decision.

The selling process starts with the salesperson approaching the customer and trying to understand his needs. Customers with unsatisfied needs are always looking for information about products or services, which can satisfy their needs. A salesperson helps customers gather information on various products and helps them select the merchandise that they are looking for. To help customers evaluate the various alternatives available, the salesperson demonstrates the products, explains the features and benefits of the product, and persuades them to buy the product. Once the sale is made, the salesperson provides follow-up services to build a long-lasting relationship with the customer. Even though a retail selling process generally comprises these activities, it is not necessary that a salesperson should undertake all the above activities at all times.

Though the selling process largely depends on the goods being sold, it can be broadly divided into seven steps (Refer Figure 14.1):

**Figure 14.1: Steps in a Retail Selling Process**



*Compiled from different sources by ICAI Research Center.*

#### **14.6.1 Preparing for the Customer**

For effective selling, a salesperson should have a thorough knowledge of the merchandise being offered by the store, the various activities undertaken by the store and the policies and procedures followed by the store. A salesperson's preparation stages can be of two types:

- Long run preparation
- Short run preparation

*Long run preparation* involves gathering information on the policies and procedures (exchange and return policies, operating procedures, use, demonstrations, etc.), and merchandise of the store.

In *short run preparation*, a salesperson tries to acquire knowledge about the day-to-day activities of the store like the existing stock volume for sale, and recent changes in policies and procedures. He would also need to keep track of the changes in style, fashion, models of the merchandise etc.

#### **14.6.2 Prospecting the Customer**

Prospecting is the process of identifying customers who would not only be interested in the merchandise but would also have the ability to pay for the same. Prospecting becomes all the more important when customer traffic is high.

On the basis of the buying behavior of customers, a salesperson can classify them as good prospects or poor prospects. Good prospects are customers who show genuine interest in the merchandise, while poor prospects are those who only glance through the merchandise and are not interested in buying it.

During the peak hours of sales, if the salesperson identifies a good prospective customer, he can concentrate more on the needs of the good prospect rather than wasting time with a poor prospective customer. But at other times, the salesperson should pay equal attention to good prospects as well as poor prospects. By doing so, he can convert the poor prospects into good prospects for future.

### **14.6.3 Contacting the Customer**

It is essential for a salesperson to first generate interest so that the customer gets involved. The approach of a salesperson influences the buying decision of the customer. A customer builds an image of the store based on the nature and behavior of its salespersons. For example, consider an apparel retail store, where the consumers' buying decision is completely based on the approach of the salespersons. If a salesperson does not behave according to the customers' expectation, the customer may not buy the apparel from that particular retail store.

Customers expect a cordial welcome from the salesperson and good service. While purchasing a product from a retail store, customers expect a salesperson to provide them with a complete description of the product, its features along with usage and maintenance suggestions. He is also expected to caution them about any dangers that may arise out of the misuse of the product. Good communication skills of a salesperson can sometimes induce customers to buy products, which they may not otherwise have been interested in.

### **14.6.4 Presenting the Merchandise**

Once the customer has entered the retail store, the salesperson should collect some basic information from him with regard to the merchandise he is looking for, his tastes and preferences. For example, in an apparel retail store, a salesperson can ask questions like: What kind of apparel are you looking for? Are you looking for party wear or casual wear? What is your price range?

Preferences vary from one customer to another. Basic questions about the preferences of a customer help the salesperson to offer merchandise, which suits his/her needs and preferences.

While presenting the merchandise, a salesperson should follow certain basic guidelines:

- Understand the customer's needs and wants
- Reduce the customer's perceived risk
- Demonstrate the product

#### **Block 4: Managing the Retail Store**

- Actively involve the customer
- Sell product benefits
- Make the message simple

#### **Understand the Customer's Needs and Wants**

A salesperson should understand the needs and wants of the customer by asking them certain basic questions and listening attentively to the answers they provide. He should then try to cater to the requirements of the customer by showing him/her the appropriate merchandise. He should carefully observe the response and reaction of the customer while displaying merchandise. The reactions and responses provide valuable cues about the customer's level of interest in the merchandise. When a customer shows interest in a particular merchandise or category a salesperson can try 'trading-up' (where in he tries to sell higher quality and higher priced merchandise by explaining the features, quality and durability of the merchandise as compared to other low-priced products).

#### **Reduce the Customer's Perceived Risk**

Consumers assess the risk attached to a product they intend to buy by trying to find answers to questions like: Is the product durable or not? Will I get value for money? Is the product of good quality?

These perceived risks are high for buying high-priced merchandise like refrigerators, cars, furniture, jewelry etc. Therefore, salespersons should take adequate care to decrease the risk perception of the customer by providing information about the warranty given by the manufacturers, after-sales service centers, after sales service conditions, success of the brand in other markets etc.

#### **Demonstrate the Product**

The demonstration of a product involves the display and explanation of the product's features and functions, benefits and possible hazards to a prospective buyer. It helps a customer understand the working of the product, thus reducing his perceived risk. Demonstrations are most effective when the product features appeal to the senses. Demonstrations can be conducted in a common place for all or separately for specific individuals. Some retail showrooms employ experts to demonstrate specialized merchandise like cars, fitness equipment, etc. Such demonstrations help generate more interest among customers.

#### **Actively Involve the Customer**

Once the demonstration of the product is over, the salesperson should encourage the customer to use it. This creates more interest and attracts their attraction. For example, some automobile showrooms allow customers to take a test drive. The salesperson also accompanies the customer and explains the features to the customer, while he is driving.

Once the customer experiences the merchandise; the chances of him buying the merchandise increase. Moreover, when a customer has used the product personally, he is less apprehensive about the product.

### **Sell Product Benefits**

A salesperson should realize that a customer does not pay for the product but for the service/utility that it offers. Therefore, he should concentrate on selling the benefits of the product rather than trying hard to sell a product.

Before purchasing a product, the customer analyzes the product, by asking himself- Why am I buying this product?

When he approaches a salesperson in a retail store, the salesperson should provide a suitable answer to this question by explaining the benefits or the use of the particular product. When introducing a product to a customer the salesperson should first highlight the benefits of the product. By doing so, the salesperson can clear the doubts that arises in a customer's mind and give him greater satisfaction.

### **Make the Message Simple**

While explaining the benefits and features of products to customers, the salesperson should understand the level of understanding of the individual customer and communicate to him accordingly. For example, if the salesperson uses technical terms while explaining the features of a product to a layman, the customer may not understand and there are chances of losing the deal. On the other hand, if the salesperson uses simple words while dealing with a technically educated person, he may feel bored. There are chances of customer getting irritated and annoyed, and the salesperson losing the deal. Hence, the salesperson should analyze the product knowledge of every customer before he starts talking about the product.

### **14.6.5 Handling Objections**

Sometimes, a customer may raise various objections regarding the price, place (stores image), product quality, time and the behavior and appearance of the salesperson. A salesperson should know how to handle such objections.

In certain instances, though a customer likes a product he is not sure whether to purchase the product or not and he starts giving some vague reasons (like the size is too big or small, the product is heavy or light, complex or too simple, etc.). In such situations, the salesperson should be quick and creative to convince the customer about the benefits of the product, its previous record, guarantee and the warranty given by the manufacturer and the after sales service provided by the retail store.



#### **Block 4: Managing the Retail Store**

Sometimes, the customer suspects the rationale behind the price of the product and may find it high. In such situations, the retail salesperson should explain the product's value as well as the comparative price of competing products. In certain situations, the customer may like the product but he may not have enough cash in hand to purchase the product immediately. In such situations, the retail salesperson should provide information about the credit facilities offered by the store.

Sometimes, even before making a purchase, the customer may have formed a perception of the store through advertisements and displays and when he comes to the store for the purchase, he may find that his perception of the store is different from what he actually sees and experiences. In such a case, the retail salesperson should assure the customers with regard to integrity of the store, its management and merchandise.

In yet another situation, the customer may put off the purchase mentioning time as a constraint. They may not be in a situation to tell why they don't want to buy, but they may just want to postpone the purchase. This is one of the most difficult situations for a salesperson. However, the salesperson can try to create interest in the customer by informing him about the special offers (if any), or caution him about the high prices in the peak season and convince him to buy the product.

Sometimes, customers postpone the purchase because of the salesperson. They may not like the appearance of the salesperson, or the behavior, following which they postpone the purchase. At such times, the salespersons can emphasize more on the product, its benefits and advantages to the customer.

#### **14.6.6 Closing the Sale**

Once the customer's doubts with regard to the merchandise are cleared, the salesman should look for cues, which help him understand whether the customer is interested in buying the product or not. The decision - making process of a customer depends on his/her individual nature. Some customers are quick in decision- making; others are slow, while some others require the assistance of a third person in making decisions.

A skilled salesperson will understand the preferences of customers and display the merchandise according to the customer's preferences (by removing the less preferred items). Skilled salespersons in the apparel section can even suggest the kind of apparel and color that would suit the customer.

Before closing the sale, the salesperson can suggest complementary items that go well with that particular merchandise that the customer intends to buy. This technique of promoting sales is called *suggestive selling*. For example, if a customer is buying a shirt, the salesperson can show a trouser or tie that goes well with the shirt. Though the customer actually intends to buy only a shirt; but if the

salesperson shows him the complementary product that goes very well with the shirt, the customer may buy it too. Suggestive selling also increases the satisfaction of the customer with regard to the service provided by store. If the customer buys the complementary merchandise, both the customer as well as the salesperson stands to gain. While the customer derives greater satisfaction (better appearance), the salesperson achieves greater sales.

Once the customer finalizes the merchandise, the salesperson would need to inform the cashier, check the accuracy of the address, and validate authenticity of the cheque that the customer has presented or verify the customer's credit card and pack the merchandise.

#### **14.6.7 Following up the Sales**

Once a customer has bought a product, he may seek the opinion of his friends, relatives and others to know whether or not he derived value for money through this purchase. Sometimes the customer may regret the purchase and this might prevent him from making future purchases from the retail store. This generally happens for high priced products such as furniture, car, jewelry etc.

In such situations, the salesperson needs to reassure the customer that he had got a good deal by emphasizing more on the quality and benefits of the product. He can do this using any of the following:

- Writing letters to the customer
- Telephoning the customer
- Making personal visits to the customer

Although many sales processes include all the above-mentioned steps (prospecting through closing), the sales approach adopted by the salesperson may vary depending on the type of customers' location, merchandise etc.

#### **Example: Amazon at the Task of Understanding the Customer's Needs and Wants**

Amazon the USA based retailing giant was granted a patent for system of anticipatory package shipping. This meant that Amazon understood customers' needs so well that it started planning to deliver the package even before customers could think of hitting the "buy" button.

Put differently Amazon understood the customer's needs and wants so well in the retail selling process that it planned to ship things even before customers realize that they want them.

*Source: (24 August, 2022). Anticipating Your Customers' Needs, Amazon (and Smart Customers) Style. Retrieved from <https://www.mcorpex.com/articles/anticipating-customers-needs-amazon-smart-customers-style>. Accessed on 28-09-2022*

## Block 4: Managing the Retail Store

### 14.7 Evaluation of a Salesperson

Evaluation of salespersons plays a crucial role in a retail store as it determines the compensation to be paid, promotions, transfers, terminations and reinforcements of sales personnel. (Exhibit 14.1 shows a typical rating form for evaluating sales personnel). The main criteria for evaluating the performance of a salesperson are the following:

- Conversion rate
- Sale per hour
- Use of time

**Exhibit 14.1: Sample Evaluation Form for Sales Personnel**

| Employee Name _____ Department _____  |   |   |  |
|---|---|---|--|
| Period Covered _____ Evaluated by _____   |   |   |  |
| Date Completed _____ Date Reviewed with Employee _____  |   |   |  |
|   | <b>Weight</b><br><b>Total must</b><br><b>equal</b><br><b>100%</b> | <b>Rating</b><br><b>Use 1</b><br><b>through 5</b> | <b>Score</b><br><b>Weight</b><br><b>x</b><br><b>Rating</b> |
| <b>Sales</b><br><br>Assists in establishing sales goals<br><br>Assists in developing and promoting a marketing plan<br><br>Makes proper recommendations and applications of products sold<br><br>Knows prices of products and services<br><br>Maintains current market share<br><br>Assists in developing competitive marketing strategies<br><br>Comments: |   |   |  |
| <b>Service</b><br><br>Provides and promotes exceptional service<br><br>Comments:  |   |   |  |

*Contd....*

|  |  |  |  |
|--|--|--|--|
| <b>Inventory</b><br>Effectively manages inventory levels<br>Comments:  |  |  |  |
| <b>Maintenance</b><br>Maintains property, facilities and equipment<br>Comments:  |  |  |  |
| <b>Job Knowledge</b><br>Understands the requirements of the job<br>Comments:   |  |  |  |
| <b>Quality of Work</b><br>Work is accurate and neat<br>Comments:   |  |  |  |
| <b>Quantity of Work</b><br>Consistently performs an adequate amount of satisfactory work<br>Comments:                                |  |  |  |
| <b>Cooperation</b><br>Works well and effectively with co-workers and supervisors<br>Supports company policies and goals<br>Comments: |  |  |  |
| <b>Initiative</b><br>Begins assignments without direction and recognizes the best way of accomplishing tasks<br>Comments:            |  |  |  |

Contd.....

**Block 4: Managing the Retail Store**

|   |  |  |  |
|---|--|--|--|
| <b>Attendance and Dependability</b><br>Can be relied upon to report to work and stay on the job<br>Comments:  |  |  |  |
| <b>Problem Solving</b><br>Handles on the job problems<br>Comments:  |  |  |  |
| <b>Other Duties</b><br>Upholds cooperative policies<br>Perform other duties as assigned by management<br>Enforces and upholds the cooperative's credit policy<br>Comments:  |  |  |  |
| Total Score   |  |  |  |
| Overall Merit Rating<br>451-500 – Outstanding<br>351-450 – Exceeds Standards<br>251-350 – Meets Standards<br>151-250 – Below standards<br>100-150 – Unacceptable<br>Signature of Manager/Supervisor _____<br>Date _____<br>Signature of Employee _____ Date _____<br>Rating System: 1 – 1.5 Unacceptable; 1.5 to 2.5 – Below standards; 2.5 to 3.5 – Meets Standards; 3.5 to 4.5 – Exceeds Standards; 4.5 – 5 Outstanding |  |  |  |

Source: ICFAI Research Center.

**Conversion Rate**

The conversion rate refers to the percentage of shoppers who are convinced to make a purchase. In a retail store, all the people entering the store may not end up buying the goods/services. Some customers see the product, inquire about the

merchandise in detail and leave the store. Hence, the success of a store depends on how effectively the salespeople can convince these window shoppers to make a purchase. The revenue/profits of a store are directly proportional to the conversion rate.

The conversion rate varies from one retail store to another. A retail store selling jewellery or appliances will have a lower conversion rate than a grocery store. On the other hand, a mall will have more walk-in traffic but its actual conversion rate will be lower than a free-standing “destination” store.

The rate of conversion reflects the performance of the entire sales force of a retail store. A low conversion rate can be due to various reasons like non-availability of clerks at the point of sale, inefficiency of the clerks to handle the traffic, arguments with the customers, insufficient information provided to customers, poor demonstration of the product, unfriendly attitude of the salesperson etc.

### **Sales per Hour**

This is one of the commonly used measures to evaluate the performance of a retail salesperson in a store. Sales per hour are computed by dividing the value of total sales of the retail store at a given period of time by the total hours of work. Sales per hour can be used to evaluate the performance of a salesperson, a group of people or the entire sales-force in a retail store. Sales per hour differs depending on the nature of the retail store. A salesperson's sale per hour in a department store is different from the sales per hour of a jewellery salesperson.

### **Use of Time Standards**

Salespersons in a retail store are evaluated on the basis of the time they spend in the store. A salesperson can spend his time in the retail store in four different ways:

- Time spent on selling
- Time spent while not selling
- Idle time
- Absent time

The selling time includes the time a salesperson spends with a customer, time spent while demonstrating the product, writing sales receipts or assisting the customer in other potentially revenue-generating activities.

The time spent by a salesperson on marking merchandise or straightening up the store are included in non-selling time.

When a salesperson spends his time on the sales floor but is not involved in productive work, it is referred to as idle time.

When a salesperson is not available on the sales floor, it is recorded as absent time. This includes the time he spent for lunch, rest etc.

#### Block 4: Managing the Retail Store

Based on this division, the retailer calculates the time spent by the salesperson on each activity. This reveals how efficiently and effectively a retail salesperson has spent his time in the retail store.

##### **Example: Business Intelligence Helps Salespersons Strategies**

V-Count's Business Intelligence Platform, offers powerful insights by counting the number of people entering, exiting, and passing a store in real-time anonymously and accurately. As such it offers store managers reports that help them identify the store's peak periods with hours of the most sales potential helping in strategizing the salespersons.

*Source: (26 November, 2021). How to Measure and Improve Retail Conversion Rate. Retrieved from <https://v-count.com/how-to-measure-and-improve-retail-conversion-rate/>. Accessed on 29-9-22*

##### **Activity 14. 2**

Visit a consumer appliance store and interview the customers who exit the shop after shopping and ask the following questions about salesmen.

- Were you greeted by a salesman when you entered the store?
- Did the sales person offer to take you to the product you desired to purchase?
- To what extent was the sales person knowledgeable and how did he tactfully use his product knowledge to assist you to buy the product?
- How did the sales person deal with the queries posed? Did you feel convinced to buy the product?
- What were the positive and negative points you observed on the sales presentation?

#### **Check Your Progress - 2**

6. A selling approach rests on the assumption that all the customers receive and respond to the sales presentations in the same manner. Which of the following approaches denotes preparing and making a sales presentation that touches on all the elements or stages involved in the purchase process?
  - a. Stimulus-response-Sell Approach
  - b. Formula Selling Approach
  - c. Problem-solving-need-satisfaction Approach

- d. Selling Formula Approach
  - e. Response-Stimulus-Response approach
7. Which of the following is a type of customer who doesn't trust any salesperson, resists communication as he/she has a dislike of others, generally, uncooperative and likely to explode at the slightest provocation?
- a. Defensive
  - b. Interrupter
  - c. Decisive
  - d. Indecisive
  - e. Sociable
8. By asking questions, the salesperson can actively involve the customer in the sales process. This helps the sales person know customers more clearly, understand their needs and thus, provide the merchandise that they need. Which of these is not an appropriate technique of questioning?
- a. Seek long responses
  - b. Space out the questions
  - c. Interrupt the customer to stop him from making long response
  - d. Keep the questions short and simple
  - e. Acknowledge now and then to show you are listening and attentive
9. Though the selling process largely depends on the goods being sold, it can be broadly divided into seven steps. Which of the following is not a step of the selling process?
- a. Preparing for the Customer
  - b. Prospecting the Customer
  - c. Contacting the Customer
  - d. Presenting the Customer
  - e. Handling Objections
10. There are different types of customer's a retailer deals with. These customers are classified based on how they conduct and respond to marketing stimuli and sales persons call. Which of the following is the correct classification of the types of customers?
- a. Defensive, interpreter, decisive, indecisive, sociable, and impulsive
  - b. Defensive, interrupter, decisive, indecisive, sociable, and impulsive
  - c. Defensive, interrupter, descriptive, undescriptive, sociable, and impulsive
  - d. Defensive, interrupter, decisive, indecisive, societal, and creative
  - e. Defensive, interrupter, decisive, indecisive, sociable, and creative
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### 14.8 Summary

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- A retail salesperson plays a crucial role in the retail selling process. The salesperson acts as an interface between the retail store and the customer.
- In this unit, we have analyzed the retail selling process wherein the salesperson identifies the potential customers and tries to sell them the merchandise.
- We have discussed the various stages of the selling process and ways of handling and providing information to the customer to increase the sales of a retail store.
- A good salesperson can convert a prospective customer to a potential customer with his effective communication and people skills.
- The unit also analyzed the evaluation process for a salesperson which is based on certain factors like conversion rate, sales per hour and use of time.

### 14.9 Glossary

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**AIDA (Attention, Interest, Desire and Action):** Attract *attention*, arouse *interest*, create *desire* and obtain *action* is an often-used formula in the sales presentations.

**Conversion Rate:** It refers to the percentage of shoppers who are convinced to make a purchase.

**Interrupter:** A type of customer who is intense, impatient personality. Often interrupts salespersons and has a perpetually “strained” expression. Often driven and successful people who want results fast.

**Non-Selling Time:** The time spent by a salesperson on marking merchandise or straightening up the store and other activities where he/she is not directly handling sales are referred to as non-selling time.

**Personal Selling:** It is the process of convincing the customer about the product through personal communication.

**Prospecting:** It is the process of identifying customers who would not only be interested in the merchandise but would also have the ability to pay for the same.

**Selling Formula Approach:** The selling formula approach involves preparing and making a sales presentation that touches on all the elements or stages involved in the purchase process.

**Stimulus-Response Approach:** This approach suggests that a particular response can be generated for specific stimuli. If the salesperson does and says the series of things that he is supposed to, his action would act as a stimulus for the customer who favorably responds by buying.

**Trading Up:** When sales person tries to sell higher quality and higher priced merchandise by explaining the features, quality and durability of the merchandise as compared to other low-priced products. The process is known as trading up.

#### **14.10 Self-Assessment Test**

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1. What are the salesperson's fundamental requirements for effective selling? Explain.
2. Explain the retail selling process.
3. What are the different types of customers? Explain.
4. Explain the criteria used for evaluating the performance of a salesperson.
5. Elucidate the different approaches of selling merchandise.

#### **14.11 Suggested Readings/Reference Material**

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1. Giri Arunangshu and Chatterjee Satakshi, "Retail Management: Text & Cases" Paperback, PHI Learning Pvt. Ltd., 2021.
2. Swapna Pradhan, "Retailing Management: Text and Cases", McGraw Hill, Sixth Edition, 2020.
3. Barry Berman, Joel R Evans, Patrali Chatterjee and Ritu Srivastava, "Retail Management", Thirteenth Edition Pearson Education, 2017.
4. Gibson G. Vedamani, "Retail Management", 5<sup>th</sup> edition, Pearson Education, 2017.

#### **14.12 Answers to Check Your Progress Questions**

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**1. (e) Explain all technical details about the product to the customer**

By providing efficient service and being courteous, a salesperson helps the retailer gain good reputation and remain competitive in the market. A well-trained salesperson sells products and also promotes the sale of complementary goods (suggestive selling). Product knowledge is one of the criteria for successful retail selling. The salesperson tailors his/her communication according to the requirement of individual customers to make an impact resulting in quick closure of sales.

Thus a, b, c, d options are important for effective sale. However, there is no need to give all technical details to the customer (option e), as it may confuse him. Only information that he can comprehend and what is relevant needs to be given.

**2. (c) In field selling, the customer approaches the salesperson with prior appointment.**

Personal selling takes place at two levels; Retail level (Retail selling) & Field level (Field Selling). In field selling, the salesperson approaches the customer with prior appointment. Personal selling helps the salesperson build a strong relationship with the customer

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**3. (b) Door to door selling**

In field selling, the salesperson approaches the customer with prior appointment and tries to make the customer a potential buyer by convincing him/her about the benefits of the product. This form of selling is also known as door-to-door selling.

**4. (d) Stimulus-response sale approach**

Salespeople usually use three approaches while selling merchandise. They are: Stimulus-response Approach, Selling Formula Approach and Problem-solving-need-satisfaction Approach.

**5. (c) Seven Steps**

Retail selling usually depends on the types of goods being sold. However, retail selling process can be broadly divided into seven steps.

**6. (d) Selling Formula Approach**

A selling approach rests on the assumption that all the customers receive and respond to the sales presentations in the same manner. Preparing and making a sales presentation that touches on all the elements or stages involved in the purchase process is known as Selling Formula Approach.

**7. (a) Defensive customer**

A type of customer, who doesn't trust any salesperson resists communication as he/she has a dislike of others, is generally, uncooperative, and likely to explode at the slightest provocation is known as defensive customer.

**8. (c) Interrupt the customer to stop him from making long response**

For questioning to be effective, a retail salesperson should not interrupt the customer and stop him from making long responses.

**9. (d) Presenting the customer**

Though the selling process largely depends on the goods being sold, it can be broadly divided into seven steps. These steps are Preparing for the Customer, Prospecting the Customer, Contacting the Customer, Presenting the Merchandise, Handling Objections, Closing the Sale and Following up.

**10. (b) Defensive, interrupter, decisive, indecisive, sociable, and impulsive**

There are different types of customers a retailer deals with. The classifications are: defensive, interrupter, decisive, indecisive, sociable, and impulsive.

## Unit 15

# Information Systems and Logistics

### Structure

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- 15.1 Introduction
- 15.2 Objectives
- 15.3 Retailing: The Role of Information
- 15.4 Information Sources
- 15.5 Retail Information Systems
- 15.6 Information Systems in Retail Logistics
- 15.7 Strategic Advantages of Information Systems in Logistics
- 15.8 Quick Response Delivery Systems
- 15.9 Data Mining
- 15.10 Data Warehousing
- 15.11 Data Warehousing and Business Intelligence
- 15.12 Summary
- 15.13 Glossary
- 15.14 Self-Assessment Test
- 15.15 Suggested Readings/Reference Material
- 15.16 Answers to Check Your Progress Questions

*“You will not find it difficult to prove that battles, campaigns, and even wars have been won or lost primarily because of logistics.”*

- General Dwight D. Eisenhower, USA

### 15.1 Introduction

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Increasing technology innovations are making big waves across industries, and logistics and the supply chain are at forefront of it. These technologies have set new expectations and standards, forcing logistics companies to either adapt or fall behind. Additional pressure comes from customers who demand their products faster and cheaper than ever before.

At a time when the world is moving at lightning speed and technology is advancing every second, how can the fast-growing sector of organized retailing ignore the opportunities provided by information technology? Organized retailing involves many operations that require dealing with loads of data. Retail managers

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are required to take decisions every day of the year on the basis of the previous day's learnings. Information systems are enablers that provide the necessary data for taking decisions in the retail business.

In the previous unit, we discussed about retail selling. In this unit we will discuss the role and importance of information in retailing and the sources of information. We will then examine retail information systems and their impact on the logistics function. We will also understand the new technologies of value added network, data mining, data warehousing and business intelligence.

### **15.2 Objectives**

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After reading through this unit, you should be able to:

- Value the role of information systems for achieving higher sales performance
- Utilize the different information sources for staying ahead in the market
- Capture information from retail information system for understanding market dynamics
- Enumerate the advantages of information system in logistics for realizing higher profits
- Assess the importance of quick response delivery system for reducing inventory investment
- Use data warehousing technology for improving bottom-line results

### **15.3 Retailing: The Role of Information**

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Information is referred to as 'processed data'. Such data is presented in a format that is easy to understand. Information is essential for decision-making in any kind of organization and in any sector of the industry.

Information plays a very important role in organized retailing. Strategic, tactical and operational decisions in this sector depend heavily on the sales and merchandise data collated each day. The industry requires not just information but 'timely' information.

Information systems make it possible for retailers to get hold of such timely information. These systems store data and process it as per the need of the information-seeker.

Timely information on fast moving items helps retailers determine the number of items they need to store to avoid stock outs. In the same way, information on non-moving items helps retailers avoid an inventory pile-up.

Good performance can be achieved by having access to timely information. Daily monitoring of information helps retailers keep an eye on customer trends and preferences. Daily information reports developed on the basis of data provided by Point-of-Sales (POS) terminals enables retailers to take proactive decisions

and stay competitive in the marketplace. The information provided by retail information systems is both general and specific. They can give information on the performance of the entire supply chain as well as specific information on the best-selling merchandise line in the best performing department of the best performing store of the best performing region.

### Information Flow

Retailers are aware of the vital role of information in their businesses. To capture the information needed, retailers should understand the information flow in their retail stores. Information was traditionally considered to flow from customers to retail stores to distribution centers to vendors. But now-a-days information is not viewed as a one-way flow moving in a sequential manner. Instead, the flow of information is regarded as a dynamic one, moving not only from customer to retailer to vendor, but also from vendor to retailer to customer.

Each purchase at the sales counter stimulates a cycle of information interchange throughout the supply chain. Advances in technology have made it possible to link a computer terminal at the cash counter with the vendor's terminals and the retailer's warehouse terminals. Thus, at the press of a key, as the invoice is generated, information regarding the sale is transferred to all the channels involved in bringing the merchandise to the store. Similarly, information on exchanged or returned products and purchase orders is transferred to the vendor's system. Such a system also permits the vendor to send information on the inventory status in his plant, probable price changes, and date of shipment (ASN or Advance Shipping Notice).

#### Example: Amazon's "360-degree view" Information of its Customers

Amazon was the global online retail giant. Amazon gathered data of each of its customers while they used the site. The company would note the taste and preferences, income level, reviews, feedback and many more data to create a "360-degree view" of its individual customers. Amazon then searched for people who would fit in a particular niche and made recommendations based on what other similar customers liked. Amazon made use of big data that gathered data from customer's browsing habit to fine-tune its recommendation engine.

*Source: Marr, B. (23 July, 2021). Amazon: Using Big Data to understand customers. Retrieved from <https://bernardmarr.com/amazon-using-big-data-to-understand-customers/>. Accessed on 7-10-22*

### 15.4 Information Sources

A sudden launch of a new product or service by a competitor could shatter a retailer. To avoid such surprise attacks that is capable of making a retailer inferior to competitor, information sources provide forecast developments. Internal and external sources constitute the two major sources of information for retailers.

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Information from both these sources has to be collated properly to develop a comprehensive information system for policy decision making.

### **15.4.1 Internal Information**

Internal information refers to information generated from sources internal to the organization like purchasing invoices, warehouse records, payment statements, employee records and financial accounts. The information thus generated forms the major chunk of the databases of retailers. Most of the tactical and operational decisions made by retailers are based on this information. In addition, certain statistical and analytical procedures help retailers process this information to make need-based decisions.

Electronic equipment (like bar code detectors) makes it easy for retailers to capture internal data. An automatic inventory replacement system can also be developed (in collaboration with vendors) to share sales data from POS terminals almost immediately (online) with vendors so that the inventory can be replaced as per the selling trends observed that day. Even the delivery status can be tracked online, inventory levels checked, and re-order points can be set accordingly.

This online sharing of information with vendors is achieved through EDI (Electronic Data Interchange). EDI makes it possible to electronically share data with vendors by establishing a computer connectivity between vendor's systems and retailer's systems. Information now passes to vendors directly from retail stores. Information about transportation routings and changes in purchase orders can also be transferred through EDI.

EDI has proved to be very advantageous for retailers. Since EDI makes sales data available to vendors online, retailers are in a position to order in small quantities. Improved inventory turnover means reduced inventory carrying and storing costs. Quick movement of goods in inventory means early replenishments and ready availability of merchandise demanded by consumers.

The enforcement of bar code standards for vendors by EAN.UCC (European Article Numbering, Uniform Code Council) has made things easy for the retailer as it eliminates the cost and efforts of relabeling. In addition, the use of bar code detectors does away with the need for a skilled worker at the billing counter. Bar codes can also be profitably used by retailers for stock management, automated stock ordering and tracking of products.

### **15.4.2 External Information**

External information is procured from sources outside the retail organization, like firms or agencies that undertake research on subjects that would be of interest to corporates and sell their results commercially. Government departments engaged in the analysis of economic and other related issues are also good sources of external information. Other external information sources include published statistics, standardized retailing information services, research reports and the Internet.

### Published Statistics

Retailers use statistical reports generated by public (primarily the government) and private agencies. Such agencies generate a considerable amount of statistical data.

### Standardized Retailing Information Services

Studies and research activities that monitor the consumer behavior and market trends are undertaken by many research agencies. Their reports are purchased by retailers to sense the pulse of their customers and formulate new strategies. Retailers can use such data for various purposes such as identifying market opportunities, analyzing portfolios, pricing trends, etc.

### Research Reports

Business magazines, trade journals and newspapers usually publish some research reports. Some other newspapers (eg. *The Hindu*) also release yearly publications covering a particular sector or industry.

### Internet

The Internet is used by many retailers for accessing external information. Some retail management web-sites, like [www.retailsystems.com](http://www.retailsystems.com) and [www.retailyatra.com](http://www.retailyatra.com) have started a paid subscription based access for acquiring key information and articles. Other websites, like [www.retailwire.com](http://www.retailwire.com) provide information free of cost, but require the user to register.

#### **Example: Walmart Fetches Internal Data Through RFID**

Walmart, the retail giant in 2022 said that it would expand its requirement for RFID tagged merchandise from suppliers. This would improve inventory visibility, accuracy in packaging, tracking of shipments and optimization of labour. Radio-frequency identification uses electromagnetic fields to identify and track items through tags. This internal data fetched from RFID helped organizations to search and track items in a faster and easier way.

*Source: Franz, J.W. (June 2, 2022). How Are Companies Using RAIN RFID to Improve Supply Chain Management? Retrieved from <https://www.barcoding.com/blog/how-are-companies-using-rain-rfid-to-improve-supply-chain-management>. Accessed on 10-10-2022*

## **15.5 Retail Information Systems**

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Retailers can enhance their performance if they have a better understanding of market dynamics than their competitors. To increase their knowledge of the markets, retailers should build systems that feed them information related to the firm's internal activities and external environment. A Retail Information System can provide retailers the kind of knowledge they need to succeed in the marketplace and gain a differential competitive advantage.



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Retail Information System (RIS) is a tool that enables retailers to collect, aggregate and analyze data from retailing activities. An RIS anticipates the informational needs of the retailer; collects, organizes, and stores relevant data on a continuous basis; and directs the flow of information to suitable decision makers (i.e., to the store managers, merchandise buyers, category managers, etc.).

An RIS is of great help to retailers when profit margins are decreasing and a sustainable competitive advantage is difficult to achieve. Such a system helps retailers explore ways in which they can beat their competitors by efficiently performing various store functions with the use of minimum resources.

Unlike other retail initiatives relating to pricing, merchandise, and location, RIS provides a definite edge in the market to the first-adopter. This is because an RIS initiative cannot be easily imitated. RIS is not like a readymade software package that gives the same results to everyone; instead, it has to be built carefully to meet the needs of an organization.

To put it simply, RIS is a tool for analyzing the satisfaction levels of customers and the performance of the stores. RIS can also track products through automatic identification programs, scan performance areas, analyze vendor reports, and monitor changes in behavioral and environmental trends.

To be successful, retailers need data that is timely, accurate and reliable. Data, in itself, holds no value until it is organized and used properly. Data can be effectively used if it is as detailed as possible.

### **15.5.1 Data Features of RIS**

An RIS is a comprehensive system that helps in the systematic collection of relevant data that influences the performance of the retailer. It also analyzes and reports the data collected. The following are the data features of RIS:

- Data collection by RIS can be continuous or periodic, depending on the kind of data being collected. Data is continuously collected for activities that require close monitoring and thorough scrutiny (such as financial performance). Periodic collection of data is done for non-recurring problems.
- Data is collected in a systematic and orderly fashion. Only relevant data is collected.
- Analysis and reporting of data form a vital part of RIS. Huge volumes of data are of no use until they are analyzed and reported in an understandable format.
- Past, present and future data is provided by RIS. The system acquires present data from POS terminals and past data from records stored in the database of the previous system. In addition, future data (the projections of the government and economists) is fed into the system so that it can be accessed by the retailers.

### **15.5.2 Subsystems in RIS**

An RIS helps the strategist at various stages of the retail planning process. For instance, it helps planners by providing relevant information for formulating a retail marketing strategy and developing solutions for problems that may crop up when implementing this strategy. Depending on the information needs that RIS caters to, it can be classified into two subsystems:

- i. Problem identification subsystem
- ii. Problem solving subsystem

The problem identification subsystem monitors a retailer's behavioral, environmental, and operating atmosphere to identify factors that may lead to problems for the retailer. A problem-solving subsystem provides information that would help the retailer develop solutions for the problems that have been identified.

#### **Problem Identification Subsystem**

A problem identification subsystem helps retailers identify existing problems or potential problems in the firm. The subsystem does so by monitoring and making available information on behavioral trends, environmental trends, and operating performance trends continually.

Such a subsystem helps retailers design effective strategies by providing information on changing trends that affect the retailer's situational analysis and overall strategy.

#### **Behavioral Trend**

Monitoring the behavioral trends of all parties in the supply chain (i.e., the marketing channel and the customers) as well as those of competitors enables retailers to understand and be prepared for any contingencies that may arise. By observing early warning signals, retailers can take appropriate corrective action in a timely manner.

#### **Monitoring customers**

Different retailers adopt different means for monitoring customers' buying patterns. Some retailers scan customer trends through secondary data sources like trade journals and the Internet. Some study local economic forecasts to identify trends in customer behavior. Small retailers often gather information through informal conversations with their customers. Although retailers can better understand their customer interests by adopting more formal methods of customer monitoring, many don't employ such methods because of the high expenses involved. Wal-Mart used to survey future customer trends by the method of MBWA (Management by Walking Around).

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Large organized retailers generally use systematic, formal methods like analysis of purchases, trailing of customer complaints, and customer panels for studying and monitoring buyer behavior. Since large retailers do not have direct contact with their customers, they have to use such impersonal methods for collecting information. Such retailers must gather data on:

- i. Purchase probabilities
- ii. Consumer attitudes
- iii. Consumer satisfaction

*Purchase Probability* refers to the probability of a customer purchasing a particular item within a specific period of time. If the retailer gets a clue regarding the purchase probabilities of its customers (i.e., what the customer may buy or may not buy in the next three months or six months), the retailer can plan to stock those items. Such information thus helps the retailer select merchandise to be stocked and promoted for the next few months.

Retailers collect information about purchase probabilities from a variety of sources like newspaper surveys, universities' research departments, and probability models proposed by retail consultants. These models help retailers relate consumer spending on one product with the relative spending on another product. For example, if a customer buys a pair of jeans in the price range, ₹ 999 - ₹ 1499, he would also purchase a T-shirt in the ₹ 299 - ₹ 499 range in the next few days. Purchase information thus helps retailers anticipate customer needs and make available items that have a high purchase probability.

Sometimes, strange patterns can be found from the study of sales data. Though such patterns do not appear logical, they are often repeated. For example, Wal-Mart found that customers who purchase Huggies on Thursdays make more purchases than customers who buy Huggies on other days. Hence, it announced a price discount on Huggies on Thursdays.

*Consumer attitude* towards the operations and practices of retail stores has a significant impact on the retail business. Retailers should be aware of changing customer attitudes because their patronage is necessary for the survival of the business. To track attitudinal changes in customers, retailers should identify certain attributes (friendly personnel, quality of stock, etc.) of their stores that are of value to customers and assess the customer attitude in terms of their perception of each one of those attributes. On the basis of such studies, retailers can take corrective action. For example, if the store is not performing well on an attribute that is of high importance to customers, the retailer can take suitable corrective measures.

*Customer satisfaction* is essential for the very existence of retail stores. Satisfying and retaining current customers costs less than attracting new customers.

Customer satisfaction is measured in two areas: satisfaction with regard to the merchandise sold and satisfaction with the service offered in the stores. Only customers who are satisfied with their purchase(s) and the atmosphere of the store come back for a second purchase. Therefore, understanding customer expectations and meeting their needs forms a vital part of the retail business. Monitoring customer satisfaction helps a retailer identify areas that require improvement.

Customers leave stores and take their business elsewhere because of the discrepancies between:

- The customers' expectations (regarding service and merchandise) and the retailer's understanding of customer expectations and needs.
- Retailer's perception of customer wants and what the retailer actually provides.
- Retailer's promises in promotions and the actual delivery in the stores.

To avoid the discrepancy between customer expectations and the retailer's understanding of customer needs, retail managers should interact frequently with customers. Even though top management cannot come to the floor to meet customers, they should meet customer contact personnel to determine if their perception of customer needs is correct.

Discrepancy between perception of customer needs and what the retailer actually provides reflects a lack of commitment on the part of top management towards customers. A management that gives undue importance to profits, margins, market share and costs indirectly informs employees that the customer is of secondary importance to the company. As a result, employees tend to pay attention to customers' expectations only as long as they don't interfere with management-reflected-importance-factors. As a result of this change in priorities, both the customers and the organization suffer.

Discrepancy between what the retailer promises and the actual delivery in stores occurs as a result of extravagant claims made by the retailer in publicity campaigns and advertisements. Retailers' advertisements, by raising expectations too high, often lead to customer dissatisfaction. Therefore, retailers should try to stick to the facts when advertising their products or service. They should also tell their salespeople not to exaggerate the quality of the products to increase sales.

Customer satisfaction does not necessarily ensure a loyal customer base, but it does ensure that a customer will not be lost unless he receives an exceptional satisfaction elsewhere. To identify customer satisfaction levels and address customer problems, some retailers encourage customers to call a toll free number to lodge their complaints. This provides a cost-effective method for tracking the satisfaction levels of customers and identifying areas that require corrective actions.

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*Monitoring the marketing channel:* No retailer exists in isolation. He is surrounded by channel partners, who together make the marketing channel system. In this inter-related environment, it is important for the retailer to monitor the behavior of his marketing channel partners.

Retailers should also keep an open eye for other channel partners, like alternative merchandise suppliers, alternative facilitating agencies, etc. If they do not do so, they may lose some good deals.

However good the present channel partners may be, it is not desirable to become over-dependent on them or be complacent with the present partners. Retailers should always try to obtain information about evolving vendor practices and new players in the industry.

Too much dependence on a single supply source (even if the retailer is proving the best quality merchandise at the lowest market price) decreases the bargaining power of retailers and puts them at the mercy of the supplier.

Retailers usually keep track of the bargains offered by all suppliers in the market so as to have the best price and pass it on to their customers. Information regarding price should be collected on an ongoing basis if a retailer wants an edge in the marketplace. If the retailer constantly studies market dynamics and gathers up-to-date information on all his marketing channel partners, the channel partners will be more cooperative.

The use of a Retail Information System helps not only retailers but also the vendors. Through this system, a retailer's sales data is shared with its vendors, thus allowing them to be prepared for extra production if sales are doing extremely well. If, according to the sales data, a product is not moving, the vendor can stop production. Sharing such data helps both the vendor and the retailer reduce inventory costs.

Retailers should also have access to information about the financial performance of channel partners and channel conflicts at all links. If a vendor is in any kind of trouble, financial or non-financial, he will pass it on to the retailer. The vendor may cut the credit terms, raise prices, increase the minimum order quantity or resort to other such practices to stabilize his firm financially. It would be difficult and expensive for the retailer to cope with the new terms and conditions set by the vendor. So, to avoid such problems, the retailer should collect information on the turnover, sales growth, profit margins, credit policy, cash flows, and union-management relations of channel partners. Such information would give the retailer time to anticipate the moves of any channel partner.

Many retailers partner with facilitating agencies like banks, brokers, insurance firms and ad agencies. Information about facilitating agencies like financial performance and alternative facilitating agencies should also be gathered by retailers. Such information will help retailers identify new and good agencies that can serve them better.

Retailers should also keep themselves informed of channel conflicts. A conflict may arise between any of the partners in the channel. To avoid conflict, the probable sources of conflict should be identified and monitored. The common sources of conflict are incompatible goals between partners, undue control by one partner over another, differences in perceiving the significant events in external environment (legal, political, economic, social) and lack of mutual trust between the various channel partners.

*Monitoring competitors:* Understanding competitors forms the key to business success in any sector. Monitoring competition is as important as monitoring customers and channel partners. The conditions of the market play a role in determining the power of competition. If a market place is over-stored (more than a proportionate number of stores for the population in that area); then the profit potential would be much lower than in a market area that is under-stored (fewer number of stores for that area's consumers). Hence competitors would be contending for a limited profit potential. By monitoring competitors, retailers can understand their operations and anticipate their moves.

Retailers employ different methods for monitoring competitors. Small retailers do so simply by reading competitors' ads or promotional schemes and visiting their stores to inspect their commodities, prices, and display. Large retailers monitor competitors by collecting and analyzing data on product lines, prices, promotions, market share and sales strategies.

The retailer should contemplate a product segment that it wishes to be most competitive in, in terms of price. Then the retailer should construct a price index comparing the price of each of the items in his selected segment with the major competitors' prices for those items. This index gives a visible and comprehensive indication to the retailer about whether or not he is managing his preferred position in the market place. These indices should be constructed and reviewed on a weekly or fortnightly basis.

Competitive comparison of the merchandise mix, quality of products sold, product availability, and general price differentials would help the retailer maintain his competitive position in the marketplace. The comparison with key competitors about the assortment of products should be done on an ongoing basis, for the analysis to be authentic. To collect the needed data, the retailer should require its personnel to frequently visit the competitors' stores.

While monitoring competitor behavior, information systems can be used to find out i) the relative spending on promotions and ii) the relative quality of promotions. Both of these involve cost and time. The retailers should analyze the data on competitors' publicity efforts, sales promotions, advertising and personal selling. To limit the expenses involved in collecting such data regularly, most retailers limit their data collection to data on competitors' advertising and sales

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promotions. Retailers in some segments maintain a record of all the paper ads released by the competitor during the whole month. At the end of the month, they analyze the intensity of advertising and the quality of the ads. This is then compared with the analysis of a retailer's own advertising efforts to identify any significant deterioration in its advertising.

Market share is another important indicator of the performance of retailers. Comparing market shares of competitors gives insight into the future profitability problems that may arise. Market share data of particular merchandise lines and specific product-departments (like women's western wear, kitchen utensils) would be very useful to retailers. However, acquiring that, would involve a sophisticated and extremely expensive process, which may not prove to be worthwhile. Moreover, such specialized data is often impossible to collect.

The geographical area to which a retailer caters to is called its 'trade area'. The size of a retailer's trade area is determined by the power and influence of competition. Hence, retailers should analyze their trading area as a part of competitor monitoring. The factors that influence the size of the trade area are competitive pricing, competitive product assortments and promotions. Retailer's business is also affected by the shrinkage or expansion in its trade area. The trade area shrinks when the area is over stored. An expanding trade area is a good sign for a retailer.

Information on a trade area is relatively easier to gather. A retailer can construct a 'trade area map' by using the addresses of the customers in its database (this data is collected through weekly contests and monthly draws). By comparing one month's trade map with that of the previous month, the retailer can easily trace any changes in its trade area.

#### ***Environmental trends***

Changes in socioeconomic, legal, and technological environments have a major impact on the functioning of a retail store. Although a retailer cannot control the changing trends in these environments, he can be better equipped to deal with these changes if he closely monitors them on a regular basis.

*Monitoring the socioeconomic environment:* Monitoring of socio-economic environment provides; vital insights into consumer behavior. The socioeconomic environment can be categorized into demographic, psychographic and economic trends.

Demographic trends that should be monitored by retailers are age, occupation, education levels, ethnic background, and number of earning members in the family. The psychographic trends that influence the retailer include changing interests, lifestyles, changes in habits, opinions, cultural values, and free-time activities. Economic trends that retailers should monitor are changes in disposable income, and changes in spending.

Although national data on the socioeconomic environment is available for retailers, it provides little information on trade areas. It would be very expensive for the retailer to obtain information on demographic, psychographic and economic trends using his own meager, private resources. Hence, the retailer must gather data from secondary services and surveys conducted by large newspapers in big cities. These surveys cover a large number of demographic, psychographic and economic attributes.

*Monitoring the legal environment:* Retailers must follow the changes in legal requirements and understand the legal issues concerning retailing, to perform optimally in the marketplace. To avoid costly legal battles, retailers should constantly incorporate legal changes into their RIS. As retailers grow in size, so does the importance of monitoring the legal environment.

Though the retailer cannot be aware of all the changes in legal environment in all the countries of its operation, retail journals play a helping role in publishing the retail implications of pending legislation.

Tax laws are one area that has immense practical implications to the retail firms. Major retail decisions are often drawn after thinking about the tax-implications. For instance, a retailer can decide for store expansion after a favorable change in investment tax rules. Some retailers change the method used for inventory valuation if a tax change shows it beneficial to do so. Further, the components of compensation are also designed based on the tax laws.

Retail companies that are public should also maintain the accounting standards prescribed by the Accounting Standards Board of Institute of Chartered Accountants of India (ICAI). They should also follow certain guidelines while reporting to the shareholders.

*Monitoring technological environment:* Technology has changed the basic way of functioning for many firms throughout the industry and is all set to do the same for retail firms. Management techniques, merchandising methods, equipment, and construction can be improved through technology. The technological environment should be constantly monitored by retailers in two stages: basic science stage and applied science stage.

At the basic science stage, the retailer starts reading about technological advancements in the area in which he wants to make improvements. These sources of information are usually trade journals (which publish evolving retail practices), discussion forums, and case studies on developing technological areas. Topics covered in journals generally take a long time to enter the applied science stage because many unforeseen problems surface during the implementation of new technology. Write-ups on future technology and discussions published in academic journals give only a vague idea of the new technologies. The retailer cannot decide to implement them at this stage.



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It is therefore more useful for the retailer to survey technologies at the applied science stage.

To learn about technologies at the applied science stage, retailers need to read business publications and attend trade fairs organized by the CII (Confederation of Indian Industry) and other agencies.

#### ***Operating Performance Trends***

Operating performance trends can be identified by monitoring information on the financial aspects of a firm. The information gathered by the problem identification subsystem on the assets, revenues and expenses of the firm will help the retailer detect any deterioration in the firm's performance.

*Monitoring assets:* The financial performance of a retail firm can be assessed easily if the accounting system is incorporated into the RIS. The RIS should be designed with the capability of monitoring assets in the retail firm constantly. The magnitude and composition of assets can be monitored by designing the RIS in such a way that it constructs a balance sheet at the end of every operating period (typically a month or half month). Changes in the composition of assets and growth in the asset base can be tracked by comparing any two consecutive balance sheets. Careful study of the balance sheet gives the retailer advance warning of problems that may arise later.

*Monitoring revenues and expenses:* The early monitoring of the revenues and expenses helps retailers identify deviations from the budget and it gives them time to take corrective actions. Some retailers monitor their sales and labor costs every day to check for any fall in performance and take remedial action immediately.

A detailed income statement can be regularly generated through RIS to provide all the revenue and expense data that may be required by retailers for information or analysis.

Income statements should, preferably, include percentile figures along with the usual rupee amounts because the measure of rupees keeps changing from time to time. Moreover, percentile equivalents (equating sales to 100%) make it easy to compare income statements over different operating periods. Thus, considerable drop or rise in any of the figures in the income statements (purchase costs or advertising or salaries as compared to sales) can be immediately identified, analyzed and rectified.

A standard income statement can also be developed where each component of the statement is expressed as a percentile of sales. This statement reflects the planned performance of the retail firm. The periodic income statement generated by the retailer's RIS can then be compared with this standard income statement to check for any undesirable percentile changes of any of the components of the standard statement.

To develop the standard statement mentioned above, retailers can use data from the annual study of operating results conducted by retail trade associations of all the retail firms that are members of these associations. Using this data as a base, and keeping in view its objectives, the retailer can develop its standard income statement.

The frequency of generation of income statements is extremely important for the retailer. Income statements should be generated at a frequency that gives the retailer early indication of problems in the firm, thus allowing the retailer to take corrective action in a timely manner. Yearly income statements would not suffice, because identifying an increase in expenses or decrease in revenues at the end of the year doesn't give the manager any time to look into the matter and put things right. Bi-monthly or monthly income statement generation is considered ideal by most retailers.

### ***Problem Solving Subsystem***

A problem-solving subsystem supplies the retailer with extensive information on the problem areas identified by the problem identification subsystem. In a retail firm, problems generally arise in the areas of operations management or administrative management. The problem-solving subsystem thus helps the retailer use its resources properly and manage its operations well.

### ***Operations Management Problems***

Operations problems are everyday problems encountered by the retailer. These problems occur in the activities of buying and handling merchandise, pricing, advertising and promotion, customer services and selling. Operations problems are generally solved by the concerned managers, who have the knack and experience for dealing with them. To solve some tough problems, retail managers require specialized information.

Operations problems can be broadly classified into those related to assets and those related to revenues and expenses. Everyday problems related to assets can be theft of inventory from stockroom or shelves, delay in credit payments by customers, breakdown of generator or air conditioning system, damage to store, etc. Operating problems concerning revenues and expenses could be an alarming rise in overtime of employees, a significant drop in sales of a previously fast moving item, a drop in gross margins, etc.

An RIS helps the retail manager solve problems related to the management of assets by providing the necessary information that is not readily available to the retailer. The system can help a manager by providing information necessary for taking a decision. For instance, if a generator in a retail stores breaks down, the manager needs information to decide whether he should repair it or replace it. If he decides to replace it, the system can give him information that helps him do so.

#### **Block 4: Managing the Retail Store**

For dealing with the operating problems regarding revenues and expenses, the retail manager must carefully study all the factors to find out the cause of the problem. Without sufficient information, the retail manager can only make some suppositions, which may or may not be true. Relevant and detailed information helps the retail manager deal with problems and devise solutions or formulate new strategies.

As explained in the section on operating performance trends, the problem identification subsystem helps retailers by identifying operating problems related to revenues and expenses. The problem solution subsystem does not provide a solution to these problems. Instead, it provides detailed information to help retailers solve the problems that have been identified.

##### ***Administrative Management Problems***

Administrative management problems are problems related to the resources of retail firms, chiefly, financial, human, and locational resources.

The retailer can use the problem-solving subsystem to solve any financial problems identified. For instance, a retailer who purchases merchandise from different places of the world has to keep itself updated of the exchange rates and the predicted rise or fall in exchange rates so that it would not make a bad purchase. Added to that, the retailers need to have a check on inter-state tax systems so that they can avail any tax provisions that would be of advantage to them. The problem identification subsystem monitors all these changes for the retailer. At the same time, the problem-solving subsystem gives the retailer the internal information about what purchases are to be made from which country and which state, so that the retailer can schedule the purchases according to the predicted changes in exchange rates or taxes.

The human resource problems identified by the problem identification subsystem can be solved by collecting more information with the help of a problem-solving subsystem. Information concerning employee satisfaction, attitude towards the company and customers, motivation levels, productivity, loyalty, turnover, etc. helps the retail manager take proper steps to resolve the problems and restore employee morale.

To solve human resource problems, retailers often rely on external consultants as they offer unbiased analysis, judgment, and suggestions. Retail managers find it difficult to deal with such problems because they know the individuals concerned are often too close to the situation to analyze it objectively. So, information seeking and analysis should be done with the use of the retailer's RIS. The RIS will provide the external consultant the authentic information he needs.

Retailers also encounter problems relating to their location, whether physical or online. Locational problems generally arise when retailers move from their existing trade area to a new trade area. A problem-solving subsystem helps

retailers solve locational problems by equipping them with information on the alternatives like closing stores, building a new store image, adding/changing merchandise, re-changing the location etc.

### **15.5.3 Advantages of Retail Databases of RIS**

Let us now examine the advantages of the huge databases stored in the RIS. Before that, difficulties regarding the creation and use of large databases are detailed below:

- Collecting, storing, and analyzing databases is expensive and time consuming. Collecting data on the hundreds of different items that a store stocks and on thousands of customers is no easy task. The storage costs of such huge data are very high.
- The successful implementation of databases creates customer expectations regarding rewards for their loyalty. For example, the customers of Westside receive a “member” status when they purchase a certain number of items. These customers expect fresh seasonal offers with every change in season because they have been offered such privileges or discounts in the past.
- The collection and storage of data can affect people's privacy. The National Retail Federation (US) and the European Community are imposing restrictions on companies maintaining databases about the use and passing-on of data.

### **Build and Manage Dialogues**

Traditionally, the retailer purchases and showcases merchandise that he thinks would interest customers visiting his stores. But the purchases made anticipating customer interests may not always yield a positive response from customers. Now-a-days, instead of guessing at customer needs, the retailer can use the sophisticated databases of RIS to build a dialogue and initiate a long-term relationship with each customer.

The information available to the retailer is no longer restricted to the purchase and the customer who made the purchase. Instead, the retailer can now access information on a customer's interests and preferences, his previous purchases, his household details, etc. This information availability helps the retailer analyze its customer's purchase interests and define its target group clearly. Retailers can thus attract their target groups. Reaching such a customer group would also be easier with targeted advertising and customized promotional offers that would persuade both customers and potential customers to make a purchase. Some retailers even give specialized coupons along with the bill. For example, when a customer purchases a trial pack of a shampoo, he receives a coupon for a large pack of the same item.

#### **Block 4: Managing the Retail Store**

Remke Markets in Cincinnati, US developed a CRM program using its integrated POS and store system software. The software identifies the top 2000 customers every winter and the CEO personally hand delivers promotional gifts to them. Frequent shoppers are identified through the system's database and demographically targeted store circulars are posted with coupons for customers with specific tastes. The system also helps Remke markets track how much money was spent in their stores, how often shoppers come back, how many customers were retained over time, and what was the direct-mail campaign's return on investment.

Such a database can be used by retailers to lure back customers who no longer shop at their stores. Using the information stored in the database, retailers can send birthday discounts or anniversary gifts to attract customers who used to come to their stores.

#### **Value of Customer**

Though all retailers agree that the customer is their most important asset, the value of the customer is intangible. By maintaining a customer database, it is possible to compute the discounted lifetime value of a customer. And by finding out the value of a customer, the customer's response to marketing campaigns can be anticipated and the campaigns designed accordingly.

#### **Integrate Marketing Campaigns**

The data stored in RIS can be used to integrate various marketing campaigns to increase their effectiveness. For example, when launching a new version of software, the retailer can not only design TV ads, he can also send customized promos to all customers who purchased the software earlier (identified from the RIS database). This would improve customer response and increase the effectiveness of the launch.

#### **Improve Marketing Productivity**

Earlier, it was very difficult to measure the effectiveness of marketing decisions. But now, with the use of RIS, the retailer can correctly measure the effect of its marketing efforts on sales. The link between expenditures and results can be analyzed by the use of retail database. The retailer can also study each customer's response to a generic promotional scheme. In addition, the retailer can find out if a particular customer responded to the customized offer communicated to him/her.

Marketing productivity can be improved further by using the database to identify niche markets. The niche markets identified (like customers who buy pet food for their cats) can be catered to by designing special schemes to attract the target groups or by making available the products that these groups wish to purchase.

### Improve Inventory Management

Better inventory management is the most cited advantage of adopting a retail information system. An RIS helps businesses avoid inventory pile-up. (The system allows retailers to make inventory forecasts in a more effective way. The purchase information of each day is made available by an RIS to help retailers make decisions. Large retailers dealing in readymade clothing maintain huge databases of sizes commonly purchased by customers so that they can know which sizes sell in which of the stores, and stock them accordingly.

Stock outs can be completely avoided by sharing sales information online with the retailer's own warehouse and the retailer's vendor. Sharing of sales data with the supplier also reduces inventory holding in warehouses and, in turn, inventory carrying costs. RIS also makes it easy to identify the stock of non-moving items so that something can be done to move that stock (like putting those items for sale).

#### **Example: Heartland Retail Information System offered Real-time Retail Data**

Heartland Retail provided retail information system which was designed by retailers for retailers. This retail information system offered retailers control of their profitability with real-time data. It had features for inventory management, reporting, and multistore and multi-platform integration. This retail information system offered reliability and improved efficiency tenfold.

*Source: King, B., K. (July 12, 2021). Retail Management Systems: Your All-In-One Retail Solution. Retrieved from <https://www.g2.com/articles/retail-management-systems>. Accessed on 11-10-2022*

#### **Activity 15.1**

Let us say you are a senior manager of a big retail store group that has branches all over India. The management of the group is concerned about the stock out situations in the case of certain products and excessive inventory piling in the case of certain other product categories. As a person with an IT background you are to make a presentation and explain to the management on the various advantages of deploying a new computerized logistics, or replenishment system. What points would you highlight in your presentation?

**Answer:**

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**Check Your Progress - 1**

1. Which of the following information is generated from sources in the organization like purchasing invoices, warehouse records, payment statements, employee records and financial accounts?
  - a. Internal information
  - b. External information
  - c. Inside information
  - d. Company information
  - e. Process Information
2. Which of the following is a tool that enables retailers to collect, aggregate and analyze data from retailing activities?
  - a. RAS
  - b. RIS
  - c. RSI
  - d. IRS
  - e. SIR
3. Depending on the information needs that RIS caters to, it can be classified into two subsystems. What are they?
  - a. Problem location subsystem & Problem solving subsystem
  - b. Problem identification subsystem & Problem resolving subsystem
  - c. Problem identification subsystem & Problem fixing subsystem
  - d. Problem finding subsystem & Problem solving subsystem
  - e. Problem identification subsystem & Problem solving subsystem
4. Large organized retailers generally use systematic, formal methods like analysis of purchases, trailing of customer complaints, and customer panels for studying and monitoring buyer behavior. Since large retailers do not have direct contact with their customers, they have to use such impersonal methods for collecting information. Which of these (information) given below would not be directly useful for the purpose described above?
  - a. Purchase probabilities
  - b. Consumer attitudes
  - c. Consumer satisfaction
  - d. Purchase probabilities, Consumer attitudes, and Consumer satisfaction
  - e. Purchase probabilities and Consumer attitudes

5. Which of the following is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from point of consumption to meet the consumers' requirements?
- a. Supply chain process
  - b. Material management
  - c. Logistics
  - d. Transportation
  - e. Inventory management
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### **15.6 Information Systems in Retail Logistics**

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With the intensifying competition among retail enterprises, retailers are trying to improve the efficiency of their logistics functions. For this, retail enterprises require flexible, adaptable, and integrated information systems that support their business processes.

Information is essential to run retail channels smoothly and retail businesses profitably. Complex logistics challenges can be handled successfully by implementing the right kind of software in retail operations. The logistics information module of the Retail Information System covers a wide range of areas like warehouse management, materials handling, transaction processing and product slotting. Some RIS's also include in-cab communications, traffic information systems and vehicle routing packages.

Detailed information about order picking and warehouse stock, as well as order tracking within the system, will help retailers shorten production and delivery times and reduce inventory. Further, the entire distribution process can be improved by maintaining a balance between manual and automatic processes. Doing so will also save logistics costs.

The objectives of retail logistics have always been reduced inventory levels, improved on time delivery, and the reduction of distribution costs. Due to insufficient information sharing in the past, inventory reductions were sought through increase in delivery frequency and reliability, and reduction in order lead times. But now, the use of information technology allows for inventory reductions through information sharing and visibility. The information visibility and sharing through logistics information system brings about quick replenishment of products at the store or warehouse level. Some retailers are further implementing software applications that enable continuous replenishment. Let us understand the impact of information systems on retail logistics in a better way by first defining retail logistics and then examining the logistics processes carried out or outsourced by the distribution center.



## **Block 4: Managing the Retail Store**

### **15.6.1 Logistics**

Logistics is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from point of consumption to meet the consumers' requirements.

### **15.6.2 The Distribution Center**

The typical activities carried out by a distribution center are managing inbound transportation; receiving and checking products; storing and cross-docking merchandise; ticketing and marking products; filling orders; and managing outbound transportation.

#### **Managing Inbound Transportation**

Terms between vendors and retailers regarding the product assortments being shipped, the pricing, packaging, delivery times, purchase and payment of goods would usually be agreed on when the partnership is finalized. Once the vendors have been selected and the orders placed, the retailer only has to synchronize the delivery times of different vendors to ensure that all the merchandise is received by the distribution center at the specified time to be transported to the stores. Transportation expenses are traditionally borne by the manufacturer. If, for any unforeseen reasons, the shipment does not arrive at the distribution center in time, the retailer fines the vendor heavily for the delay and then reassigns the delivery slot. In order to reduce merchandise cost and better manage inbound transportation, the retailer can also rope in truck companies to consolidate shipments from various vendors.

#### **Receiving and Checking**

Registering the products received and recording the time of arrival of the goods into the distribution center comes under the *receiving* function. *Checking* refers to examining the received merchandise to ensure that the goods received are of the promised quantity and quality.

Voice recognition technology enables the receiving clerks to process key data by directly speaking into a headset. The purchase order information (consisting of words and numbers) spoken by the clerks is converted into printed bar code labels. The labels are then pasted on cartons and the cartons forwarded for further distribution center processes before being dispatched to stores. Healds (Day & Nite) in UK was the first grocery and convenience retailer to introduce 'voice only' activated distribution center operator terminals.

#### **Storing and Cross-docking**

A distribution center enables the temporary storing of merchandise till it is required by the concerned stores. In the past, the functions of re-packing of merchandise according to the transportation and usage requirements of stores were done at the distribution center itself.

Modern retailers are minimizing the handling and storage of inventory by going in for *cross docking*. Cross docking refers to the packing of merchandise by the vendor in the quantity required by the store, thus eliminating the need for re-packing by the distributor. As a result, the merchandise received by the distribution centers from various vendors can be combined and immediately shipped to the stores. As the stock is delivered by the vendor when the replenishment order is placed, the inventory stocking period is minimised.

Many ERP and warehouse systems packages in the market have cross-docking modules. Retail firms need to have a warehouse management system (WMS) to integrate bar-code technology and EDI-originated ASNs from vendors. Retailers need to integrate ordering and inventory information into the cross-docking system. Some cross-docking systems use automated materials-handling equipment to mix and match hundreds of boxes at a time.

Cross docking saves time to the retailers as the merchandise gets directly into the store shelf, where it's going to sell. It also saves overall labor costs by reducing the handling in distribution centers.

Cross docking reduces inventory levels and lowers the direct cost associated with excess inventory by eliminating the unnecessary handling and storage of products. Reduction in inventory levels results in less use of space and equipment required for handling and storing products. It also results in reduced product damage and product obsolescence. The distribution centers of today are much smaller than those in the past because of cross docking. Now-a-days, distribution centers are only used for storing merchandise that has not been delivered according to the planned/scheduled delivery date and time.

Cross docking would benefit high-volume, large-store retailers with many stock keeping units. Such stores do not wish to carry huge inventories, but need to get the required products in time on the store shelves.

### **Ticketing and Marking**

Ticketing and marking refers to the process of classifying products and attaching identification labels and price tags to them. This process was once carried out in the store itself. However, retailers soon realized that engaging salespersons in pricing and pasting would hinder sales activities. Hence, they shifted the ticketing and marking (labeling) activities to the distribution center.

Since there was considerable variation in the way vendors labeled the goods, retailers had to relabel the merchandise. Today, retailers are in a position to do away with the tedious and time consuming process of relabeling as every vendor follows Universal Product Code norms when labeling the merchandise. This kind of labeling also makes it easy for operators on the shop floor to bill the items purchased because these codes can be directly scanned into POS terminals.

## **Block 4: Managing the Retail Store**

### **Filling Orders**

The procedure for filling orders has become quite smooth and convenient with the advent of information systems. The process follows an orderly pattern: POS terminals record every sale and transfer information regarding purchases to the staff, who convey the replenishment requirements to the distribution center' personnel through an inter-connected computer system. The computer at the distribution center generates a pick ticket (information about the quantity of items in each storage area, along with the distribution center location). Then, the computer prints the pick ticket after checking for the availability of merchandise being ordered. The order-filler collects all the merchandise ordered, consolidates it and ships it to the stores.

There are two ways to make this process smoother. A 'Quick response delivery system' can be used to share POS data with the vendor directly so that all the activities carried out at the distribution center can be done by the vendor (this system will be discussed later in detail). Or else, a cross-docking distribution center can be set up where the merchandise can be shifted from the vendor's inbound shipment to the retailer's outbound shipment directly, without requiring consolidation.

### **Managing outbound Transportation**

Whenever a shipment is dispatched from the vendor to the retailer, any number of things could go wrong, from flat tires to lost shipments. The management of outbound transportation is a sophisticated activity, especially for large retailers who make considerable use of distribution centers. The distribution centers of big retailers like Sears run as many as 100 routes in one day. Retailers are most likely to adopt those technical innovations that improve vehicle utilization and minimize the impact of traffic congestion.

Vehicle utilization can be improved by a combination of new software and hardware. These include the use of 'dynamic scheduling' and real time vehicle routing packages that identify the best route for the transportation of merchandise after considering road conditions, transportation operating constraints, and customer service levels.

The problem of traffic congestion can be dealt with by increased out-of-hours delivery, transfer of freight traffic to rail and improved vehicle tracking and communication. All these areas can benefit from advances in technology. Advances in vehicle handling and tracking technology are opening up new avenues for rationalizing the movement of freight in urban areas. There is also considerable scope for improving the fuel efficiency of delivery vehicles.

Outbound transportation also includes the inter-store transfer of merchandise. In many cases, the customer asks for a size or color of clothing that may not be in stock in one store but may be available in many other stores. So, instead of losing

the customer, the retailer can acquire the required merchandise from the other store and make the sale. Such transfer of merchandise should be done quickly. Inter-store transfer of merchandise can be an advantage to the retailer if the retailer can manage inter-store transportation efficiently.

When the merchandise has to be returned to the vendor, either because it is damaged or because return of unsold merchandise was a pre-condition of purchase, the retailer incurs an extra outbound transportation expense. Large retailers even incur inter-store transportation expenses as they have to collect such unsold or damaged merchandise from all their stores.

### **15.6.3 Outsourcing**

Outsourcing is the process of getting a function (that has been done in-house in the past) done by some other firm outside the retailer's purview. Retailers outsource the logistics function to third party logistics companies when they find that doing so would either improve their performance or reduce expenses. Outsourcing results in better use of manpower in the core functions and the streamlining of retail operations.

Sometimes, some of the functions like checking, packing and attaching price tags are passed on to the vendors (like in case of floor-ready merchandise). In some cases, functions like source tagging, which were a part of the vendor's responsibilities in the past, are being outsourced.

### **Floor-ready Merchandise**

The once tedious process of manual checking and counting of incoming merchandise, unpacking and repacking into convenient cartons, attaching price labels, security devices, bar codes to shipping labels, placing hangers (if required) is now almost extinct giving way to 'floor-ready merchandise', now the most common form in which merchandise is shipped by vendors. Floor-ready merchandise refers to merchandise shipped by vendors to retailers with the necessary tags, prices, security devices, etc. already attached so that the merchandise can be cross-docked rapidly through the retailer's distribution centers and sent directly to stores.

Floor-ready merchandise makes the functions of receiving and checking easy for the retailer. The clerks at the distribution center are only required to scan the inbound cartons that are already marked with unique identifying bar codes. The contents of the cartons are electronically recorded, and the clerks at the distribution center need to open them and check the merchandise only if they find the carton to be damaged.

The products inside the cartons are already marked with the retailer's sales price, identifying information and UPC barcode so that they can be electronically scanned at the POS terminals. All the items also have a source tag, a tiny electronic device attached to the products as protection against shoplifting and as an indicator of product movement inside the store.

## **Block 4: Managing the Retail Store**

Since the cost of marking the merchandise is passed on to the vendor, floor-ready merchandise also provides a cost advantage to the retailer. Small vendors cannot afford to provide such service to their customers (retailers). Large vendors, however, have developed systems to supply their customers with floor-ready merchandise in the manner demanded by them.

### **Source Tagging**

Source tagging has many benefits for retailers. Though it was initially done by vendors (as a part of floor-ready merchandising), it evolved into a specialized function that is outsourced to other parties. The source tags used now-a-days are wafer-thin and less than two inches long, making them extremely usable and completely non-obstructive, unlike the traditional hard tags. The source tag attached to a product can remain on it even after the product has been sold and taken out of the shop. This tag need not be taken off even while billing.

Source tags are much more efficient than traditional theft-prevention measures. These tiny and compact electronic tags can easily be attached to any theft-prone item, even if it is 'small and expensive' or 'large but sensitive'. After the tag is attached to the products, even jewelry and expensive metal items can be made accessible to customers. Source tags can also replace hard, uncomfortable tags on clothes so that they don't hurt customers trying on new outfits.

In future, microchips inserted into the source tag could carry information about the product, the date of purchase, the owner, and the warranty. Such microchips would be permanently sealed into the fabric. This would make it easy to identify false claims and stolen items.

### **Third Party Logistics Companies**

Third party logistics companies (or TPLs) are firms that take outsourcing contracts from retailers or manufacturers to manage the flow of merchandise from manufacturers to retailers. The functions that come under such contracts typically include management of inbound transportation, warehousing and packaging. Other functions like customs provisions, order realization and documentation are also carried out by TPLs.

Some TPLs provide services that facilitate electronic data interchange through Value Added Networks (VANs) that are vital for quick response delivery systems. Since the computer systems of retailers and their vendors may not be compatible, TPLs provide a Value-Added Network to integrate retailers' computer systems with that of their vendors; VANs weave a network with both retailers and vendors by establishing communication links with each one of them separately (through EDI), converting the data into a format that is compatible with that of the other and transferring the data.

TPLs carry out one of the following functions: transportation, warehousing or packaging. But some TPLs carry out all three functions in an integrated manner. Both types of TPLs are discussed below:

### ***Transportation***

TPLs provide transportation services using their own fleet or a partner's fleet to create an optimal network. Retailers should take care while choosing a TPL for transportation because the efficiency of the selected firm determines the retailer's lead time. Employing TPLs is beneficial to retailers, as TPLs adopt new technologies to provide the best service possible to their customers.

Shipment management systems (SMS) allow TPLs to effectively plan load management, routing, and equipment and driver management, and carry out network freight analysis. Further, warehouse management software can be integrated with SMS to provide integrated logistics solutions.

Many TPLs are trying to reduce costs and avoid delays by mixing different modes of transportation. Some TPLs promise 'less than truckload' to serve their customers better. Other TPLs use multi vendor consolidation to reduce overall costs. They combine merchandise from different vendors going to the same destination to achieve full truckload economies.

### ***Warehousing***

In order to provide customers the best service possible, vendors set up distribution centers near their retailers' stores. This proximity allows them to meet retailers' demands for floor ready merchandise deliveries. Now-a-days, however, vendors are outsourcing distribution to TPLs that own and manage distribution centers either specially for the vendor or common warehouses.

Automatic scanning and bar code labeling are also done by TPLs to track the movement of goods. Using Warehouse Management Systems, real time, periodic and accurate information can be provided to vendors and retailers. Services like advance shipment notifications add to the value retailers and vendors derive from outsourcing.

### ***Packaging***

Packaging is another service that is being offered by TPLs. TPLs set up facilities for final packaging in their warehouse itself, thus reducing the time taken for packaging for retailers. These results in reduced product handling, reduced cycle time and reduced costs.

TPLs also offer a variety of packaging services like custom pallets, display shippers, inserts and coupons, labeling and printing, repackaging-conversion, and wrapping and bundling.

## Block 4: Managing the Retail Store

### *Integrated Third-party Logistics Services*

Some TPLs provide only one of three logistics services: transportation, warehousing or packaging. However, other TPLs provide all three services. Such integrated services are proving more useful for retailers.

#### **Example: Entreposage Herger's Helps Outsourcing Logistics Needs of Companies**

Entreposage Herger Inc. is a Canada based third party logistics company. It offers commercial storage and industrial storage space along with distribution solutions. It has built an image with professional work, efficiency and reliability in logistics. It offers a robust state-of-the-art facility with computerized systems. The company offers adequate storage conditions. Services include tracking of products right from preparation to shipment to real-time inventory from origin to delivery of a product.

*Source: (April, 2020). Retrieved from <https://www.entreposageherger.com/en/services.html>. Accessed on 28-10-2022*

### **15.6.4 Store Vs Distribution Center Delivery**

The use of information systems is making stores delivery as convenient as distribution center delivery. But the feasibility of either delivery system - store or distribution center – can be judged only on a retailer-to-retailer basis. There is no “ideal” or “correct” choice. Depending on the retailer's size, requirements, strategies and systems, the most suitable system must be selected.

Some large retailers have to re-distribute the merchandise among their own stores in a complex manner. Such retailers prefer to have their merchandise delivered to a central distribution center because they have to maintain a sophisticated logistics system to handle all inter-store merchandise distribution.

The retailer must do a cost-benefit analysis when deciding between an in-store delivery system and a distribution center delivery system.

The advantages of using a distribution center could be:

- i. Sales forecasts would be more accurate if they are developed for all stores instead of individual stores. Developing separate forecasts for each store would increase the proportion of error because forecasting involves an element of approximation. However, if the sales forecasts are based on inventory levels in the central distribution center, the proportion of error would be reduced.
- ii. Maintaining a central distribution center would reduce the total inventory held in the stores, and thus the investment in the form of inventory. If there is a central distribution center, the individual stores will not have to hold extra items in the form of buffer/safety stock, because the distribution center would store that back-up merchandise.

- iii. There would be less chance of stock-outs in any particular store as replenishments can be ordered from the distribution center.
- iv. Distribution centers are developed for storing merchandise. Storing merchandise in the retail store would not only be inconvenient, it would also be wasteful because the retailer has to pay a considerable amount of money for renting retail space.

Retailers who find distribution center delivery beneficial are: i)retailers with stores that do not experience a constant demand for certain items, as sales forecasts can be more accurate when demand is aggregated at the distribution center, ii) retailers whose stores are not geographically concentrated but are spread out, can have a central distribution center within 150-200 miles from most of the stores iii) stores that would have frequent need for some items can replenish the stocks in store from their distribution center iv) stores that order products in small quantities (half-truck) can save transportation costs by ordering larger quantities and storing in distribution center.

In-store delivery has following benefits:

- i. It may be more affordable for a small retailer with few stores.
- ii. Merchandise can be delivered more quickly if delivered directly to stores instead of through an intermediary (distribution center).
- iii. If the retailer has many stores in the same area, the merchandise can be consolidated and delivered, thus bringing down costs.
- iv. If the vendor can deliver floor-ready merchandise, then the total merchandise cost for the retailer would be less than the cost of merchandise routed through a distribution center.

#### **15.6.5 Pull Vs Push Logistics Strategies**

With the advent and use of information technology and the increasing complexity of retail operations, the traditionally followed and much practiced push logistics strategy is being replaced by the pull logistics strategy.

The push logistics strategy requires the distribution of merchandise by the vendor according to historical demand, inventory position and the stores' needs. In the pull strategy, orders for merchandise are generated by the stores or, in sophisticated cases, by POS terminals that are connected to the vendors' computers.

The pull strategy enables store personnel to order stocks on the basis of daily demand and customer needs. Adopting such a strategy would almost eliminate the chances of over-stocking or stock-outs because the inventory levels are based on daily customer preferences and changing demands. Balancing inventories by undertaking inter-store distribution of merchandise would also not be required.



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But pull strategy cannot be used by all retailers. Retailers, who do not have the advanced information systems that are necessary for projecting sales of individual stores, should continue with the push logistics strategy. Retailers who hold merchandise that isn't purchased on a regular basis should also adopt the push strategy.

### **15.7 Strategic Advantages of Information Systems in Logistics**

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Information systems in logistics can orchestrate seamless supply chain operations that comprises the customers, suppliers, carriers, competitors, third-party providers etc. in a dynamic business environment. Retailers cannot increase their net profit in a sustained manner only through an increase in sales. They should also manage their logistics effectively. Retailers who have realized the profit potential of maintaining efficient logistics have invested heavily in information systems. These retailers experienced an increase in their bottom-lines. The strategic advantages of adopting a logistics information system are:

- Improved product availability
- Improved assortment
- Improved return on investment

#### **15.7.1 Improved Product Availability**

Product availability makes a lasting impression on customers. The knowledge that a product is always available in a store would encourage customers to return to the store. No retailer likes to lose a sale due to lack of product availability. And no retailer would like to be in a situation in which the product was available in the warehouse, but couldn't be transported to the shop floor in time.

#### **15.7.2 Improved Assortment**

To keep pace with changing customer tastes, retailers are maintaining more stock keeping units (SKUs). Earlier, maintaining a few SKUs for fast moving colors and sizes was sufficient but now retailers have to maintain SKUs for almost as many sizes and colors as are available. This change in practice will naturally lead to an increase in inventory levels. If this large inventory is not efficiently managed and distributed, the cost of maintaining so many SKUs would outweigh the benefits of holding them.

#### **15.7.3 Improved Return on Investment**

Return on Investment (ROI) is a measure of the performance of a retail firm. One of the ROI measures commonly used is return on assets, which is the result of net profit divided by total assets:

$$\text{Return on assets} = \text{Net profit} / \text{Total assets}$$

The total assets can be reduced by the efficient use of information systems in logistics. The use of information systems can also increase net profit (either by raising the gross margin or lowering expenses).

Information system networks between vendors and retailers allow the retailer to take advantage of special prices and reduce the purchase costs, thereby improving the gross margin. Operating expenses of the retailer can be lowered by reducing the transportation costs through coordinated deliveries. The retail information system streamlines all the processes so well that, at the distribution center, the merchandise can be received, checked, labeled, stored and shipped to stores with minimum handling. The retailer would need to carry little back-up inventory because his inventory management system would be directly connected to the vendor's system. This reduces the inventory investment and, in turn, the inventory carrying cost. The problem of stock-outs can be avoided as the customer database of the retailer holds the details of specific customers, their purchase preferences, color choices and sizes.

The desirable outcomes of using a retail information system are many, but the net effect would be higher returns through a considerable improvement in performance and distribution.

**Example: Unilever Adopts Technology for Better Logistics View**

Unilever, a consumer goods multinational company made use of Artificial Intelligence (AI) and machine learning technology. The technology helped the company make faster and better decisions. The technology brought visibility of each SKU (Stock Keeping Unit) and brought full traceability of every step in its supply chain and availability for buyers. The technology has helped to optimise inventory of each SKU by bringing visibility of each SKU and their respective movement and availability.

*Source: Johnston, L. (April, 2022). Unilever's Newest Way to Boost On-Shelf Availability. Retrieved from <https://consumergoods.com/unilevers-newest-way-boost-shelf-availability>. Accessed from 11-10-2022*

## 15.8 Quick Response Delivery Systems

A Quick Response (QR) Delivery System increases customer satisfaction and helps the firm survive increasing competition. It is a combination of a logistics system and an information system. It is designed to reduce inventory investment, bring down logistics expenses, and increase customer service levels by reducing the lead-time for receiving merchandise from vendors.

To see how a quick response delivery system works for both the retailer and the vendor. Consider a large retailer and a vendor of merchandise that is stocked in the retailer's stores. One of the vendor's items, say a sweater, is purchased at one of the retail stores. Information regarding all purchases of the vendor's item (the sweater) is downloaded by the vendor's computer system every day. So, all the sales information by SKU and by store is transferred to the vendor the very same day the sale is made. Information regarding warehouse movement and forecast

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analysis is also transferred. The vendor can generate the past 100 weeks' sales history for the product with the help of a Decision Support System (DSS) and assess the product's overall performance and region-wise performance.

After receiving the information, the vendor starts with the order fulfillment by affixing the retailer's price label, UPC code and source tag. He then ships the cross-docked order to the retailer's distribution center the very next day of the purchase in retailer's store. Since the merchandise is cross-docked, the operators at the warehouse only need to unload the inbound merchandise and re-ship it to the stores that require it. The merchandise is again ready for sale in the retailer's stores within three days (while the process earlier took one month).

The detailed purchase information available to the vendor (even SKU wise) helps him plan his production accurately and avoid holding excess inventory. He can also customize the assortments region-wise and climate-wise. For instance, if the sales of denim shirts in early winter are found to be high, the vendor can manage stocks accordingly. The sales data can also be analyzed further to identify the sizes that are moving fast and the colors that are being preferred.

### **15.8.1 Benefits of Quick Response System**

QR delivery systems have the following advantages:

- Reduced lead-time
- Increased product availability and lowered inventory investment
- Reduced logistics expenses

#### **Reduced Lead-time**

Lead time is the time difference between the identification of the need for replenishment and the time when the replenishment is actually done. QR System reduces the lead time by completely eliminating paper transactions (through EDI). Safeway, a UK based retailer, realized a reduction in lead time by adopting fully paperless intake systems for its warehouse operations.

This system also reduces manual errors as the electronic transfer of data to the vendor's system eliminates the need for an operator at the other end to feed in the data. EDI in the QR system thus reduces the lead time by a week or more. As the lead time comes down, demand forecasting becomes easier and inventory holding decreases.

#### **Increased Product Availability and Lowered Inventory Investment**

Increased product availability generally requires the maintenance of high inventory levels, and this in turn leads to an increase in inventory investment. The use of QR system eliminates the need for holding huge inventories. Since purchase orders can be made according to daily sales fluctuations and accurate forecasts can be made, the retailer need not hold huge, unnecessary inventories.

Also, as the vendor works with the retailer as an extended partner in transporting the merchandise, the retailer can decrease inventories and increase the number of shipments.

Further, aligning deliveries with sales assures shorter lead-times for critical items. For instance, if an item's sales increased during a particular week and the item is about to stock-out, the QR system ensures that it is replenished faster than usual.

### **Reduced Logistics Expenses**

A QR system helps bring down logistics expenses by reducing the amount of warehouse space, or, in some cases, even eliminating warehouses by adopting cross-docking, or, better still, delivering floor ready merchandise to retailer's stores. The costs involved in the processes of receiving, checking, consolidating multiple-vendor merchandise, unpacking and repacking, then labeling and shipping to stores can be avoided by using a QR system. In addition, retail space need not be used and personnel time need not be wasted (in labeling store-delivered merchandise) as the merchandise is floor-ready.

### **15.8.2 Costs of Quick Response System**

The QR system that provides retailers with so many advantages creates many problems too. The costs of maintaining a QR system include the increased transportation cost of frequent deliveries and the cost (for both the vendor and the retailer) of acquiring the necessary hardware and software. The retailer often tries to pass on these costs to the vendor. A QR System also leads to problems regarding the coordination and transportation of deliveries.

#### **Example: Walmart Leverages on Blockchain to Quicken Delivery Systems**

Walmart Canada made use of blockchain solution to make their supply chain smoother and quicker. In Canada alone, Walmart engaged with more than 70 third-party carriers with more than 500,000 shipments being made annually.

Billing and payments was a bigger problem in such a scenario with each invoice needed to account for over 200 data points. The complexity resulted in lot of delay. The adoption of blockchain significantly reduced the manual efforts and fastened the supply of products.

*Source: Apgar, D. (January, 2022). Walmart Canada Is Using Blockchain to Ease Supply Chain Burdens. Retrieved from <https://www.paymentsjournal.com/walmart-canada-is-using-blockchain-to-ease-supply-chain-burdens/>. Accessed on 28-10-2022*

## **15.9 Data Mining**

Data mining is used by customer-focused companies like retail firms to mine useful information from the huge volumes of data generated over time and stored in databases. Regarded by many as the most revolutionary development in

## Block 4: Managing the Retail Store

technology, data mining is being used by retailers to improve customer acquisition and retention rates.

Data mining helps retailers extract useful information that will help them compete more effectively and respond more quickly to consumers' changing lifestyles and demands. This information will help them classify customers according to demographics, preferences, purchase habits and apparel sizes. They can then design personalized promotions to attract target customer groups.

Retailers are trying to extend their customer base by properly utilizing data mining tools to reach the right prospects instead of trying to woo anyone who comes to their stores.

With the help of data mining technology, retailers can reach customers in a personalized manner through customized marketing. Now-a-days, retailers compete over providing the best personalized shopping experience to customers. Some retailers use data mining to offer old customers individually targeted discounts when they visit their stores.

Since databases provide many benefits, there is an increased emphasis on data collection. Storing the data collected has become a problem for retailers. Hence, there is increasing interest in data management tools.

### **Example: Netflix Deploys Tools of Data Mining for Personalised Recommendations to its Subscribers**

Netflix has more than 203.67 million subscribers worldwide in Over-the-Top (OTT) streaming content. And Netflix has capability to make personal recommendations to each of its subscribers harnessing on the tools and technologies to analyse the current & historical data using data mining and predictive analysis which yields such personalised recommendations.

*Source: (September 7, 2022). Retrieved from <https://www.engati.com/blog/predictive-analytics>. Accessed on 12-10-2022*

## **15.10 Data Warehousing**

A data warehouse is a repository of integrated information available for queries and analysis. Data and information are extracted from heterogeneous sources as they are generated. This makes it much easier and more efficient to run queries over data that originally came from different sources.

Data warehousing technology equips retailers with a data repository that can be used to suit their needs. Till recently, retailers did not have access to much data because it was too costly to retrieve, store and analyze data manually. The POS system is very powerful data repository, which gives important insights into a retailer's business and its consumers. That's why a large number of data warehouses are built on point-of-sale (POS) data. Large retailers also build data

warehouses on information regarding purchase orders, receiving, inventory flow, promotions and advertising. Some of the largest data warehouses in the world are used by retailers like Walmart, Sears, K-Mart, and Target.

Since the use of a data warehouse leads to better decision-making, it helps retailers improve bottom-line results. The ROI from a data warehouse is realized by reducing the amount of obsolete stock or increasing sales through target and affinity marketing. With the use of its large data warehouse (approaching 300 Terabytes), Walmart has discovered that it can build some stores in well-heeled neighborhoods and target the rich.

Many retailers are developing data warehouses as a fad rather than to meet a business need. To justify investments and bring quantifiable results, a data warehouse must be driven by specific business requirements. Just building information storehouses will not lead to magical results overnight. Data warehouses only facilitate retail decision processes. For instance, by studying historical data from a data warehouse, a model of customer behavior can be built to predict how consumers will respond to new products. The retailer can then decide whether or not to introduce new products into the present merchandise line.

Retailers should not simply build a data warehouse in every suitable area. Instead, they should consolidate sales, inventory, and customer information into a single, enterprise-wide data warehouse. For a data warehouse to be successful, its initial investment should be justified economically, its implementation should be driven by business needs, and management should be committed to exploit its benefits. In addition, a data warehouse should be aligned with the overall corporate strategies of the organization.

The issues to be considered by retailers when implementing a data warehouse include:

- What data to capture and how much history to keep (this may require restructuring existing systems)
- Reviewing of vendors' data models
- Designing important queries and reports
- Defining methodologies for such projects as developing specific assortments
- Identifying the Return on Investment (ROI)
- Analyzing business requirements
- Designing business and IT strategies for successful implementation
- Selecting the most suitable software
- Training retail executives in the use of the data
- Developing an analytical approach to decision-making using the data warehouse

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### Example: Swedbank's Data Warehouse

Swedbank is a retail and SME bank based in Sweden. It has an established retail market position in Estonia, Latvia and Lithuania with loans, deposits and mutual funds. Swedbank's Data Warehouse (GDW) is based on Teradata's technical platform and contains more than 300 Terabytes of data. It is sourced from 123 different systems which cover all major business areas of Swedbank with retail banking constituting a major chunk of it. Almost a whopping 50 million queries are made per month creating an integrated information available for all queries.

Sources: i) (April 22, 2021). *The data challenge of building a large Data Warehouse*. Retrieved from <https://medium.com/@swedbank.tech/the-data-challenge-of-building-a-large-data-warehouse-5297fb9919c7>. Accessed on 13-10-2022

ii) (July, 2022). Retrieved from <https://www.fitchratings.com/research/banks/swedbank-ab-06-07-2022>. Accessed on 07-11-22

### 15.11 Data Warehousing and Business Intelligence

Business intelligence refers to the advanced analysis of data, collected from various sources to develop intelligent, fact-based business decisions and strategies. This helps the retail firm achieve a business advantage. For such advanced analysis, business intelligence systems use the comprehensive data provided by data warehouses. This combination of business intelligence systems and data warehouses has proved to be the most significant breakthrough in retail information technology since the introduction of POS scanning.

Many retail companies across the globe have integrated their data warehouses with business intelligence systems to enhance their profitability and gain a competitive advantage, along with a rapid pay-back on investment.

The integrated enterprise-wide data that data warehouses hold can be analyzed using business intelligence as data mining tool. The analyzed data can be presented to managers and senior executives who make vital business decisions. Such integration will ensure that the right kind of information reaches the right people in a timely manner, enabling them to take the right decisions. The integration of business intelligence with data warehouse(s) has benefited many retailers. It has increased their margins and stock turns and improved their customer service.

### Example: Coca-Cola Gains by Data Warehousing and Business Intelligence

Coca-Cola, a well-known cold drinks manufacturing multinational company, makes use of data warehousing and business intelligence to handle team reports of sales and delivery operations.

*Contd....*

The manual reporting process got automated by usage of business intelligence and saved more than 260 hours a year of work. The usage of business intelligence and data warehouse gave a unique competitive advantage with scope for better decisions.

*Source: Pati, S. (March 20, 2022). Know more about how business intelligence is being used in real life. Retrieved from <https://www.analyticsinsight.net/top-10-real-world-applications-of-business-intelligence/>. Accessed on 19-10-2022*

### Activity 15.2

Consider the case of Walmart which had used information systems in the past to gain competitive advantage and become the world's leading retailer. Gather insights about the following from research articles in the internet:

- Which technology did Walmart use to elevate itself to the position of a pioneer in the industry?
- What IT tool did Walmart deploy in the past and what were the benefits of the same?

**Answer:**

|  |
|--|
|  |
|  |
|  |

### Check Your Progress - 2

6. Which of the following is a process of packing of merchandise by the vendor in the quantity required by the store, eliminating the need for re-packing by the distributor resulting in immediate shipment to stores?
  - a. Sorting
  - b. Bulk breaking
  - c. Distribution
  - d. Cross docking
  - e. Redistributing
7. Which of the following is a process of classifying products and attaching identification labels and price tags to them?
  - a. Ticketing and marking
  - b. Labeling
  - c. Marking
  - d. Tagging
  - e. Packaging



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8. Which of the following systems is designed to reduce inventory investment, bring down logistics expenses, and increase customer service levels by reducing the lead-time for receiving merchandise from vendors?
    - a. Delivery system
    - b. Quick Response (QR) Delivery System
    - c. Quick Reaction system
    - d. Quick delivery system
    - e. Quick response and delivery mechanism(QRDM)
  9. Which of these is not an outcome of Quick Response System?
    - a. Reduced lead-time
    - b. Increased product availability and lowered inventory investment
    - c. Reduced logistics expenses
    - d. No stock out situation
    - e. Reduces inventory turnover
  10. Which of these is about Data mining is not true?
    - a. Improve Customer acquisition
    - b. Customer retention rates
    - c. Increase the hit rate of recommendations and suggestions given to customers
    - d. Increase employee retention
    - e. Increase in customer profitability
- 

#### **15.12 Summary**

- The value of information systems is being realized and appreciated by retailers throughout the world. Many large retailers have benefited from the use of information systems.
- The systems approach has helped them perform efficiently, reduce costs, improve service levels, expand the customer base and manage their functional areas better.
- Information systems have helped retailers meet customer demands concerning better product availability and better product assortments. Huge databases and sophisticated data mining systems are enabling retailers to reach many customers in a personalized way.
- The use of information systems has led to major changes in merchandise distribution. Distribution centers are now being used for cross-docking instead of storage.
- The quick response delivery system has enabled the delivery of floor ready merchandise. The availability of timely and accurate information on daily customer demands has led to the development of new pull logistics strategies.

- In addition, the online sharing of information has strengthened vendor-retailer relationships. Retail information systems have enabled retailers to compete successfully in a complex and challenging environment.

### 15.13 Glossary

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**Bar Codes:** It is a series of bars and spaces printed / labeled on a product / package which enable the automatic capture of information used for identifying it.

**Cross Docking:** It refers to the packing of merchandise by the vendor in the quantity required by the store, thus eliminating the need for re-packing by the distributor.

**Data Warehouse:** It is a repository of integrated information, available for queries and analysis.

**EDI:** Electronic Data Interchange (EDI) makes it possible to electronically share data with vendors by establishing computer connectivity between vendor's systems and retailer's systems.

**Information:** It is referred to as 'processed data'. Such data is presented in a format that is easy to understand.

**Lead Time:** It is the time difference between the identification of the need for replenishment and the time when the replenishment is actually done.

**Logistics:** It is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from point of consumption in order to meet the consumers' requirements.

**Pull Logistic Strategy:** In this strategy, orders for merchandise are generated by the stores or, in sophisticated cases, by POS terminals that are connected to the vendors' computers. The pull strategy enables store personnel to order stocks on the basis of daily demand and customer needs.

**Purchase Probability:** It refers to the probability of a customer purchasing a particular item within a specific period of time.

**Push Logistics:** It is the logistics strategy requires the distribution of merchandise by the vendor according to historical demand, inventory position and the stores' needs.

**Quick Response (QR) Delivery System:** It is a combination of a logistics system and an information system. It is designed to reduce inventory investment, bring down logistics expenses, and increase customer service levels by reducing the lead-time for receiving merchandise from vendors.

**Retail Information System (RIS):** It is tools that enable retailers to collect aggregate and analyze data from retailing activities.

## **Block 4: Managing the Retail Store**

**Third Party Logistics Companies (TPL):** They are firms that take outsourcing contracts from retailers or manufacturers to manage the flow of merchandise from manufacturers to retailers.

**Ticketing and Marking:** It refers to the process of classifying products, and attaching identification labels and price tags to them.

### **15.14 Self-Assessment Test**

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1. Discuss the role of information in retailing.
2. Explain Retail Information Systems (RIS) and its strategic advantages.
3. What are the various information requirements in retail logistics? Explain.
4. What do you understand by quick response system? How it helps in improving retail operations.
5. Discuss data mining and data warehousing and its importance in managing retail operations.

### **15.15 Suggested Readings/Reference Material**

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1. Giri Arunangshu and Chatterjee Satakshi, "Retail Management: Text & Cases" Paperback, PHI Learning Pvt. Ltd., 2021.
2. Swapna Pradhan, "Retailing Management: Text and Cases", McGraw Hill, Sixth Edition, 2020.
3. Barry Berman, Joel R Evans, Patrali Chatterjee and Ritu Srivastava, "Retail Management", Thirteenth Edition Pearson Education, 2017.
4. Gibson G. Vedamani, "Retail Management", 5<sup>th</sup> edition, Pearson Education, 2017.

### **15.16 Answers to Check Your Progress Questions**

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#### **1. (a) Internal Information**

Information generated from sources in the organization like purchasing invoices, warehouse records, payment statements, employee records and financial accounts are called internal information.

#### **2. (b) Retail Information System**

RIS is tools that enable retailers to collect aggregate and analyze data from retailing activities.

#### **3. (c) Problem identification subsystem & Problem-solving subsystem**

Depending on the information needs that RIS caters to, it can be classified into two sub-systems. These subsystems are problem identification subsystem & Problem-solving sub-system.

**4. (d) Purchase probabilities, Consumer attitudes, and Consumer satisfaction**

Large organized retailers generally use systematic, formal methods like analysis of purchases, trailing of customer complaints, and customer panels for studying and monitoring buyer behaviour. Since large retailers do not have direct contact with their customers, they have to use such impersonal methods for collecting information. Such retailers must gather data on purchase probabilities, consumer attitudes & consumer satisfaction

**5. (c) Logistics**

Logistics is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from point of consumption in order to meet the consumers' requirements.

**6. (d) Cross docking**

Packing of merchandise by the vendor in the quantity required by the store, eliminates the need for re-packing by the distributor. As a result, the merchandise received by the distribution centers from various vendors can be combined and immediately shipped to the stores without waiting or storing.

**7. (a) Ticketing and marking**

Ticketing and marking refers to the process of classifying products and attaching identification labels and price tags to them.

**8. (b) Quick Response (QR) Delivery System**

A Quick Response (QR) Delivery System is designed to reduce inventory investment, bring down logistics expenses, and increase customer service levels by reducing the lead-time for receiving merchandise from vendors.

**9. (e) Reduces inventory turnover**

QR delivery systems have advantages. These advantages are: Reduced lead-time, Increased product availability and lowered inventory investment and reduced logistics expenses. QR delivery systems boost inventory turnover. Hence, the option reduces inventory turnover is not an outcome of QR delivery systems, while other options point to the possible outcomes.

**10. (d) Increase employee retention**

All options except option d, are benefits of data mining. Data mining increases employee retention is not true.

# Retail Management

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