Bachelor of Commerce

BC - 606

RETAIL MANAGEMENT

Directorate of Distance Education
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1.0 Learning Objective

The main objective of this chapters are as follows:-

1. To understand the concept of Retailing

2. To know the characteristics and nature of retailing
3. To know the importance of retailing

1.1 INTRODUCTION

Marketing is an important part of any business. Whatever fund comes to the business, it comes by performing the various activities of marketing. Retailing is a part of marketing. Retailing is a very dynamic industry and it keeps on changing a very second. The way of doing retailing in no manner remains the same as it was a decade ago. The concept of retailing is not very old to the market. It can be said that the concept of retailing is very much been advocated and used by one of the biggest player in the retail market i.e. Kishore Biyani. He was born to a very middle class family and started his business by selling stonewash fabric to the small and normal shops in the Mumbai. The group formed by Kishore Biyani is now very well known to all the person in the country known as future group. He was also titled as “Rajah of Retail” by some of the authors and marketers. The group operates India’s most popular online shopping portal through futurebazar.com. The group offers a verity of home solution stores along with a lot of furniture and electronics through collection I and Furniture Bazaar and through e Zone and Electronics Bazaar. Retailing encompasses all the business activities which are involved while selling the various goods and services to the different segment of consumers for their final consumption.

Experts believe that retail expansion in the coming five to seven years is expected to be stronger than our Indian GDP growth, driven by changing lifestyles and by strong income growth, which in turn will be supported by favourable demographic patterns and the extent to which organized retailers succeed in reaching lower down the income scale to reach potential consumers towards the bottom of the consumer pyramid. Use of plastic money, easy availability of consumer credit will also assist in boosting consumer demand.

Today, a vast majority of India’s young population favours branded goods. With the spread of satellite televisions and visual media, urban life style trends have spread across the rural areas also. The shopping extravaganza of the Indian middle class especially the young population for clothing, eating outside and lust for modern living styles has unleashed new possibilities for retail growth even in the rural areas.

Thus, 85% of the retail boom which was focused only in the metros has started to infiltrate towards smaller cities and towns. Tier-II cities are already receiving focused attention of retailers and the other smaller towns and even villages are likely to join in the coming years. This is a positive trend, and the contribution of these tier-II cities to total organized retailing sales is expected to grow to 20-25%. One of the principal reasons behind the explosion of retail and its fragmented nature in the country is the fact that retailing is probably the primary form of disguised unemployment/underemployment in the country.

Given the already over-crowded agriculture sector, and the stagnating manufacturing sector, and the hard nature and relatively low wages of jobs in both, many million Indians are virtually forced into the services sector.

1.2 RETAIL AND ITS CONCEPTS

Liberalized financial and political environment in India has prompted a wave of large number of entrants into the country's rapidly growing retail industry during the past few years, without doubt, the retail industry in India is in the throes of radical restructuring. The fundamental drivers of change are increasing per capita income, growing GDP, availability of consumer finance and therefore irreversible. Retailing in general sense consists of business activities that are involved in buying and selling of goods and services to ultimate consumers for their own use ranging from bread butter to automobiles to apparels to airline tickets.

In India, after agriculture, the retail is the second largest sector that provides enough employment to Indian workforce. But retailing in India is at cross roads on the one side, retail sales are making new heights year after year and on the other side, traditional Indian retailers (Kirana stores) face numerous challenges.

Retailing consists of selling merchandise from a permanent location (a retail store) in small quantities directly to the consumers. These consumers may be individual buyers or corporate. In the world of Trade and Commerce, a retailer purchases goods or merchandise in bulk from manufacturers directly and then sells in small quantities are known as retail stores or shops.

Shops may be located in residential areas, colony streets, community centres or in modern shopping arcades/ malls. In fact, any organization selling merchandise to final consumers -whether a producer, wholesaler or a retailer -is doing retail business.

It does not take into account how the merchandise is being sold. While on the other hand, retail format is a blend of product range, pricing, marketing and the way the items are displayed. A retail-format will be suitable for a retailer does not depend upon market practice but upon retailer's budget, merchandise and the need of the locality. A good format draws more footfalls and helps retailer a platform to succeed and earn name and fame.

The word retail is derived from the French word "*retaillier",* which means to cut off a price or to break bulk. So as per the meaning of the above word one can say that a retailer is one who sells in small quantity or sells in repetition.

According to Philip Kotler: "Retailing includes all the activities involved in selling goods or services to the final consumers for personal, non- business use." So as per the definition it can be said that in case of retailing the focus is on selling the various products to the final consumer for their own use or for the use of any other person but for the non-business purpose. Retailing thus can be explained as the final step of distribution of merchandise to be used for consumption by the end consumers. So one can say that any firm which is selling the products to the consumer for their final consumption is doing the job of retailing. So retailing includes all those activities of marketing of various goods and services that facilitates the consumer to buy the product for their final consumption.

Retailing is a distribution process, in which all the activities involved in selling the merchandise directly to the final consumer (i.e. the one who intends to use the product) are included. It encompasses sale of goods and services from a point of purchase to the end user, who is going to use that product. Any business entity which sells goods to the end user and not for business use or for resale, whether it is a manufacturer, wholesaler or retailer, are said to be engaged in the process of retailing, irrespective of the manner in which goods are sold. Retailer implies any organization, whose maximum part of revenue comes from retailing. In the supply chain, retailers are the final link between the manufacturers and ultimate consumer.

1.2.1 FUNCTIONS OF A RETAILER

Retailer is a person who performs the functions of retailing. Normally a retailer performs all the functions which facilitates the consumer with all type of utilities such as form utility, time utility, place utility and ownership utility. Retailer perform various functions like sorting, breaking bulk, holding stock, as a channel of communication, storage, advertising and certain additional services.

The retailer also serves the manufacturer by performing the function of distributing the goods to the end consumers and thus forming a channel of information leading to the consumers. He is the final link in the distribution chain and very vital too.

(i) Merchandising:

Merchandising covers the activities of planning and supervising the marketing of goods at the right places, times and prices and in right quantities to the right customers. It facilitates a proper coordination of supply with demand. The marketing activities of assembling (buying) of goods from different producers and wholesalers and preparing them for resale to con-sumers at a profit are called merchandising activities. Retailers have to assemble and maintain enough stocks of a variety of goods so that they can meet adequately consumer demand and fulfil consumer expectations.

(ii) Warehousing:

In order to meet consumer demand promptly, the retailer must keep goods in ready stock and avoid an out-of-stock position as far as possible. Hence, he should have reasonable storage facilities.

(iii) Selling:

Successful buying must be combined with efficient methods of selling, advertising and sales promotion. The retailer is the last point of sale in the machinery of distribution. Retail trade is an important branch of commerce where goods are directly sold to the final consumer.

(iv) Risk-Bearing:

Goods are bought and stored in .anticipation of sales at a profit. Consumer demand is always changing, prices are fluctuating, and therefore, the risk of loss due to changes in demand and changes in prices is always present. Then, again, there is always the possibility of the loss of goods by fire, theft, riot, deterioration in quality, etc. The risk of loss due to changes in demand, changes in style and fashions, changes in prices are borne by retailers.

(v) Grading and Packing:

A retailer may have to perform the marketing functions of branding, grading and packaging when lie deals with ungraded goods received from producers.

(vi) Grant of Credit:

Credit sales offer a lot of convenience to salaried and wage-earning people. A credit sale is a sales promotion device, for it encourages permanent and regular customers to deal with one retailer. People who "run an account" with the retailer go to one shop. For the sale of durable and costly goods to consumers, a hire-purchase or an installment sale facility is offered. In its absence, the sale of costly consumer durable goods may not be possible on a large scale. Many people buy goods on hire-purchase or HP.

(vii) Guide to Wholesaler or Producer:

Manufacturers and wholesalers can secure first-hand information of the wants of consumers from retailers, because retailers have personal contacts with their consumers. They can guide manufacturers to produce those articles which are likely to be in great demand in the near future due to changes in the tastes and habits of consumers. The retailer is the best source for the determination of the pulse of demand, e.g., changing consumer preferences and tastes, and changes in fashions. Marketing plans are based on probable consumer demand.

(viii) Last Outlet in the Chain of Distribution:

In relation to producers and wholesalers, retailers act as the last outlet for the distribution of goods within the country. A retailer is the connecting link between the wholesaler and the consumers. Individual sales in small quantities is the responsibility of the retailer. In the absence of retailers, it would be impossible to distribute goods to ultimate consumers, and most of our wants will remain unsatisfied. In short, the entire trade will be paralyzed.

(ix) Advertising, Salesmanship and Sales Promotion:

Manufactured goods are worthless unless they pass the acid test of retail distribution. The retailer must employ efficient methods of promotion, i.e., salesmanship, advertising and sales promotion. Nothing can be sold without the means of promotion or means of marketing communication.

(x) Variety of Products:

Even though retailers function in a limited area with a small number of customers, they always keep themselves ready to meet all the requirements of their customers. For this, first of all they are required to know the different kinds of goods likely to be demanded by them and, secondly to locate the sources from where such goods could be obtained at competitive prices.

(xi) Transportation:

In many cases, retailers get the goods delivered at their shops. But in order to minimize delay, they themselves carry the purchased goods from wholesalers.

(xii) Market Information:

As retailers are in direct personal touch with consumers, they are often helpful in providing useful market information to the wholesalers and manufacturers regarding changes in consumer’s tastes and preferences as well as the availability of competing goods. They provide knowledge regarding new products and new uses of old products to the consumers. They act as an adviser and guide to the customers.

(xiii) Financing:

Large number of retailers sell goods on credit and play an important role in providing finance for the distribution of goods. They encourage consumption of goods and also provide after-sales service to their customers.

(xiv) Sales Promotion:

Another very important function of retailers is sales promotion. This is done through an effective display, shelf spacing, and various personal services like free home delivery, replacement etc., which they provide to their customers.

Conclusion:

The retailer is the last middleman in chain of distribution. He is responsible for satisfying the numerous and recurrent wants of consumers. Retailing is an activity directly related to the sale of goods or services to the ultimate consumer for personal, non-business use. Thus the retailer performs a variety of functions which are directed to meet the requirements of customers and making all the possible arrangements to deal with the complaints that consumer faces while buying and selling the products.

1.2.2 CHARACTERISTICS OF RETAILING

A retail business endeavors to create a compelling concept against competitors. For the characteristics of the vision to be effective, the concept must create an emotional bond with customers. For a customer to see the value of the characteristics of the business' appeal, he looks at what the business gives him, not what the business put in.

- **Clear Vision**

To connect to a core customer group, one of the characteristics a retail company must have is a clear vision. What the company is offering, who their target market is and the value of the product or service to the customer must be clear. For example, North American car rental company Enterprise Rent-A-Car focused on customers who need a car during repairs as its target market rather than the standard airport focused car rental. That focus helped Enterprise dominate a market and increase market share.

- **Value**

A retail business that sells products or services that appeal to customers' needs has the ability to stand up against competition. Physical facilities, pricing, products and customer service differentiate a busy retail store from an unnoticed one. If the characteristics appeal to a consumer, in her mind, the business represents value. When a retailer makes the value of its business obvious, it prevents service levels from dropping.

- **Functional**

Price, convenience and store experience are functional characteristics that make up a strong retail brand. These functional characteristics are common to almost all retail stores. A brand may use its store experience to create an emotional bond by matching its brand's characteristics with consumers' values. The emotional connection could trigger sales. Combining functional characteristics of store experience with price and convenience, a retailer strives to have returning customers.

- **Concept**

A retail business aims to conceive an idea and deliver consistency, profitability and integrity from concept to execution. Ikea, an international furniture company, for example, developed a unique presentation and customer assembly system difficult to copy. The unique concept created a barrier to competitors. In order to be able to execute on its ideas, a company must have adequate resources and capital.

- **Small Quantity Enough**

Sales of goods and services in a small enough quantity (small parties, in amounts sufficient for their own consumption in a given time period). Although the retailer to get the goods from suppliers in the form Kartonan (cases), but retailers displaying and selling it in a fraction per unit (piece (s)).

- **Impulse Buying**

Impulse buying is one of the most important element that one will find in retailing. Often the consumer in the shopping process, the decision to purchase an item was not previously listed in the expenditure items (out of purchase list). This decision comes out of nowhere but the sudden decision taken by the consumer to buy a particular product.

- **Store Condition**

While finding out about the various characteristics one also have to look on the store condition. The interior environmental conditions in the shops / stores that are influenced by the location of the store, the effectiveness of lighting goods, open hours (store hours) and a competitive price.

- **Effective relation with customers**

Retailing is the last part in the distribution channel. It has direct interaction with customers: The retailer acts as the final link between the organisation and its customer. The retailer knows his customer better than anyone. He even suggests the customer what to purchase and allows him credit facilities to encourage frequent buying behaviour in the customer.

- **Frequent dealing with customers**

  The customer purchases goods in small lots from the retail stores. So in order to buy the items he often visit to the store many a times. In this way the retailer has to meet the customers many a times.

- **Effective way of marketing communication**

Retailing is one of the best way of marketing communication. Most of the customers visit to the retail shops many times. In this way they are very much connected with the retailer and retail outlet. So if a brand wants to communicate some of its new product to the customers or want to get the customers familiar with any of its existing product it can use the retail outlet as one of the communication channel.

- **Some other characteristics of retail business**
    - It deals in a variety of goods of daily need and makes these goods available to the customers at their convenience.
    - It purchases goods in bulk directly from the producers thus avoiding middlemen in the process of purchase of goods.
    - It provides service to a large number of customers.
    - The size of these shops/stores is comparatively bigger than the local retail shops/ stores.
    - It requires huge capital investment to start and run the business.
    - It generally sells goods to the customers on cash basis.

At last it can be said that retailing is one of the new concept of business and has been widely accepted and used now a days. Though it needs a huge amount of capital and customer satisfaction and offers to customers are to be met on regular basis. Still it is now a very growing sector and has shift the business from small shops to the large outlets.

1.2.3 IMPORTANCE OF RETAILING

All goods go through a distribution channel to make the journey from the manufacturer to the final consumer. One important cog in this machinery is the retail trade, the final step of the distribution channel. Retail trade can take a lot of forms. It is not necessary that the goods are sold from a store, retail trade can even happen over the phone, via post or mail service, door to door selling etc. So the place of sale can also differ greatly, for example, a store, a supermarket, the customer’s house itself or even a vending machine. But one thing which remains common in all of the above cases is that the buyer of the goods is its final consumer. As far as this is true, it will be a retail trade. Effective retail marketing is vitally important for today’s manufacturers. Without a presence in retail stores, businesses rarely achieve the high level of exposure or widespread product distribution that retail stores offer.

The four benefits that make investing in multi-channel strategy worthwhile include:

i. Improved customer perception

ii. Increased sales

iii. Better data collection

iv. Enhanced productivity.

These benefits make investing in the strategy worthwhile. Retailers who recognize the importance of the fundamental change in customer expectations and embrace the challenge of creating multi-channel experience excellence will remain on the competitive edge. Multi-Channel Experience Management can help you understand how each customer views his or her journey and ensure the best experiences occur at each stage to build loyalty and foster advocacy. There are a large number of organizational and customer related benefits to be gained from implementing a multi-channel strategy.

Here are a few:

a. Organizational Benefits:

i. Increased revenue and growth opportunities – more touch points with target market

ii. Better responsiveness and sensitivity to changing environments

iii. Competitive advantage over pure-plays, particularly around immediacy, education opportunities for complex products and easy e-merchandise returns.

iv. Better data collection to know customer

v. Organizational efficiency and effectiveness opportunities through sharing of processes, technology and information.

b. Customer Related Benefits:

i. Better and wider customer interaction with a greater variety of information available for improved understanding of customers and identification of opportunities for increasing value per customer (business intelligence)

ii. Increased customer loyalty through better understanding of customers

iii. Better customer experience reducing churn and increasing loyalty

iv. Opportunity to leverage and improve brand perception Customers themselves also benefit from increased choice in interaction opportunities and the ability to switch channels as convenient.

1.2.4 CHALLENGES FACED BY RETAILING IN INDIA

India is the ninth largest retail market in the world with estimated annual retail sales of about Rs.9,60,000 crores. Research done by the Tata Strategic Management Group indicates that over the next ten years, the Indian retail market is likely to grow at a compounded annual growth rate of 5.5%. The Indian retail industry is the largest among all the industry, accounting for over 10% of the country's GDP and around 8% of the employment.

i. Neglecting Store Operations

One of the biggest mistakes many retailers make is neglecting their store operations, which in-turn causes them to neglect their customers. The worst thing about this problem is that many entrepreneurs don't even realize they do this. Too many retailers have their minds in the wrong place, and instead of focusing on the success and growth of their business, they worry too much about personal accomplishments with the company. They start off with a strong work ethic, but when they see small successes, their motivation lessens, and they begin to coast. The best businesses strive for upward growth and don't stop, even when they receive praise and admiration. So if you feel like you're starting to coast as a business owner, it's time to get back on track.

ii. Declining Quality Customer Service

The sad truth of the 21st Century is that if customers don't have a positive experience at a storefront, they can just purchase the product they want online. This is why poor customer service is such a serious retail problem. It's important that businesses make an effort to accommodate their customers' needs because if customers don't feel appreciated, they will stop visiting physical stores.

iii. Forgetting About the Data

Numbers can sometimes be confusing or unappealing, but to a business owner, you have to be aware of what numbers your business is driving and what they mean. You can't just sit back and hope that you're generating a positive cash flow. You must be hands-on and know where your money is coming from and where it goes. It's good to be passionate about your business and start a company because you care about it, but you also need to take the next step to help it succeed by being data driven. Many entrepreneurs make decisions only based off emotion, but you also need to take trends and statistics into account.

iv. Failing to Adapt the New Technology

You've probably had to adapt a lot within the past few years as new technology and trends have emerged. But businesses have been adapting since the start of time, and positive change is a good thing so don't push it away. Being outdated can be the demise of a small business, so make sure to stay current with the latest trends. Small businesses are already a big trend, so you're already partly there.

v. Underestimating Commitment to the Store

Some small business owners forget that opening a retail store comes with many consuming tasks such as a nonstop cycle of buying, marketing, displaying, and selling products. This process can sometimes be very overwhelming and demanding for some entrepreneurs. It also means that business owners endure long days or nights, nonstop ordering, and bill paying. Even though this can be tiresome, the minute you put it on the back burner, your small business can start to fail. Of course, you can hire more employees, but it's not always that easy.

vi. Having an Undeveloped Brand

Sometimes I'll walk into a store that clearly has an undeveloped brand. Maybe they're selling too many items and I'm not sure why there are so many random things, or it could be too niched, and I'll be turned off that I don't fit the store's targeted audience. It's important that small businesses find a happy medium between these two poles. Don't have too large of an inventory and overwhelm customers, but also don't turn customers away by being too niched. A good rule of thumb is that each item in your store should make sense and contribute to your store's overall vibe.

vii. Being a Bad Employer

Being a business owner is a tremendous responsibility, but sometimes the recognition and power of owning a business can get to the head of many entrepreneurs. This can create a negative power dynamic and create tension among leaders and employees. The jobs of business owners are to help manage and train people to be better. Thus, everyone should be working collectively for the betterment of the company. If you're experiencing problems with your team, it might be time for you to take a reality check and see if it's time to improve your employer-employee relations.

viii. Ignoring the Market

Many business owners can sometimes turn a blind eye to the market, which can ultimately damage their company and decrease their revenue. Business owners make this mistake by selling items they want to sell rather than selling items their consumer desire. However, it is important to keep updated with new and developing trends and be aware of which items sell and which don't.

1.2.5 TRENDS IN GLOBAL RETAIL MARKET

The Retail Industry is segmented by Products (Food and Beverages, Personal and Household Care, Apparel, Footwear and Accessories, Furniture, Toys and Hobby, Electronic and Household Appliances, and Other Products), Distribution Channel (Supermarkets/Hypermarkets, Convenience Stores, and Department Stores, Specialty Stores, Online, and Other Distribution Channels), and Geography (North America, Europe, Asia-Pacific, Latin America, and Middle-East and Africa).

The retail industry has witnessed several changes during the study period with changing economic conditions across the world. The global economy, which slowed in 2019, crashed in 2020 due to the COVID-19 outbreak, resulting in a challenging forecast period for the retail industry. As the majority of products in the industry are sensitive to the economic cycles, the retail industry is expected to show slow recovery during the initial forecast period, yet the customer necessity for the majority of products is anticipated to drive the market once the situation settles down.

The global retail industry is mature and highly competitive in the developed economies of Europe and North America. On the other hand, the developing economies of Asia-Pacific, the Middle East, and Latin America have been instrumental in driving the market growth. Countries, such as Singapore, Malaysia, and Thailand, are popular shopping destinations in the Asia-Pacific region, with visitors contributing substantially to the retail sectors in the respective markets. Tourists are augmenting the demand for products related to fashion, apparel, and electronics. Consumer spending, which typically accounts for more than two-thirds of the GDP, has been a key indicator of the health of the retail market. Moreover, the increasing strength of online shopping has been a major driver (especially during the COVID-19 crisis). Apart from this, the growing smartphone penetration across countries is driving the e-commerce channel. Also, IoT, augmented reality, and other disruptive technologies are reshaping the retail industry. However, price variation between online and brick-and-mortar stores can challenge the retail market growth.

Internet retailing is the modern way of shopping. With the growing penetration of smartphones and mobile devices and internet services, e-commerce has emerged as a major shopping platform in the world. The retail e-commerce market is driven by an increasing set of suppliers selling online and a change in consumers' buying behavior, among others. The rise of online fresh groceries sales along with growing numbers of prepared food delivery companies entering this space could propel category growth by several-fold times in the next five years. Mobile-first sites, dedicated apps, emerging payment methods, and other tools are making shopping on smartphones much easier. Many retailers operate an omnichannel model, which aims to integrate offline and online channels. Asia has some of the biggest retail markets in the world in China, Japan, and India. E-commerce sales in Q2 2020 accounted for 16.1% of total sales in the US market. Walmart, Amazon, Costco, Schwarz Group, Kroger are the major companies operating in Retail Industry.

Source: - https://www.mordorintelligence.com/industry-reports/retail-industry

1.3 EVOLUTION OF RETAIL IN INDIA

As rural and urban households witnessed a steady growth of disposable incomes, the spending power of the Chinese population has also increased dramatically, and the retail market has matured into one of the largest and still growing consumer markets worldwide. It is highly competitive and diversified, and the market shares of the leading Chinese retail chains were receding over the past few years. In India, government policies, like FDI up to 100% allowed in single-brand retail and FDI up to 51% in multi-brand retail, are further expected to fuel up the competition in the country's retail market. The growth of the tourism sector in Asia-Pacific countries, including Thailand and Indonesia, is expected to increase the demand for imported products, especially in the HORECA (hotel/restaurant/café) sector. The region's tourism sector is currently benefitting from an expanding luxury hotel sector and greater international air connectivity. Additionally, supporting growth in the tourism sector and widespread country-level government-led investments in transport infrastructure are driving the region's growth. According to a report by Mckinsey, around 96% of consumers have adopted new shopping behaviour and approximately 60% of consumers are anticipated to shift to online shopping in the festive seasons and continue it throughout COVID-19 and beyond. Such humongous growth would never have been witnessed without the ever-increasing smartphone and internet penetration. A noteworthy fact also states that due to this huge disruption, numerous retailers landed into trouble after being unable to adapt to the unexpected customer demands without a proper infrastructure in place. Above all, the COVID-19 disruption managed to radically change the retail landscape in India bringing a series of whole new trends to the table.

The exponential growth of online shopping until lately by courtesy of the pandemic is inevitable. With the shutting down of the considerable offline stores across the globe, retailers have discovered ever-innovative modes of delivery inclusive of self-driving delivery and drone deliveries of products. Even though online shopping significantly decreases the chances of coming in close contact with individuals carrying the deadly virus, still, there are chances of contamination from delivery networks caused by poor hygiene practices. With shoppers fearing to travel to large shopping malls, numerous local shops witnessed an upswing in their sales margin. This emerging trend is likely to continue throughout 2021 and beyond as the majority of office goers would work from home. Today, many consumers exist who tend to immensely support local shops producing good quality products at affordable pricing. Consumers want to shop from independently-owned businesses and local to support entrepreneurship, experience good customer service, and buying unique products. So, these independent retailers and local shops will have to focus on their messaging and highlight the benefits they offer to the community alongside adopting key features offered by large retailers to satisfy consumer needs and demands.

Top 10 retail companies in India includes ,Aditya Birla Fashion & Retail Ltd. (Pantaloons), Avenue Supermarts Ltd. (D-Mart), Future Enterprises Ltd., Future Lifestyle Fashions Ltd., Future Retail Ltd., Reliance Retail Ltd., Shoppers Stop Ltd., Trent Ltd (Westside), V Mart Retail Ltd., V2 Retail Ltd. (V2kart)

1.3.1 REPORT BY INDIAN BRAND EQUITY FOUNDATION

Retail tech companies supporting the retail sector with services such as digital ledgers, inventory management, payments solutions, and tools for logistics and fulfillment are taking off in India. In the first nine months of 2021, investors pumped in US$ 843 million into 200 small and mid-sized retail technology companies, which is an additional 260% of capital compared to the entire 2020.

In November 2021, Department for Promotion of Industry and Internal Trade announced that, it is working on a regulatory compliance portal to minimise burdensome compliance processes between industries and the government.

In October 2021, retailers in India increased by 14% compared with last year.

In September 2021, New Delhi-based e-commerce enablement startup GoKwik raised US$ 5.5 million through Matrix Partners India. Dukaan, another startup that helps businesses digitise operations, received a US$ 11 million investment led by 640 Oxford Ventures.

The Indian retail trading has received Foreign Direct Investment (FDI) equity inflow totalling US$ 3.61 billion during April 2000-June 2021, according to Department for Promotion of Industry and Internal Trade (DPIIT).

With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

India’s retail sector attracted US$ 6.2 billion from various private equity and venture capital funds in 2020.

According to a report by PGA Labs and Knowledge Capital, investors had put in US$ 1.4 billion into D2C companies between 2014 and 2020. The sector recorded an investment of ~US$ 417 million in 2020.

In October 2021, Reliance announced plan to launch 7-Eleven Inc.'s convenience stores in India.

In October 2021, Realme launched 100 new exclusive stores across India to expand and strengthen its footprint in the country.

In October 2021, Reliance Retail introduced Freshpik, a new experiential gourmet food store in India, to expand its grocery segment in the ultra-premium category.

In October 2021, Plum, the direct-to-consumer beauty & personal care brand, announced plan to launch greater than 50 offline stores across India (by 2023) to expand its customer base.

In July 2021, Dyson announced to increase its retail presence to 12 stores.

Tanishq, Shoppers Stop and Bestseller India (sells fashion brands Vero Moda, ONLY and Jack & Jones) plan to add 10-35 stores in FY22.

In 2021, Lenskart received US$ 315 million funding from Falcon Edge Capital, Temasek Holdings, KKR. The company plans to use the proceeds to expand its retail footprint in Southern India.

Flipkart hired 23,000 individuals in India between March and May 2021 in various capacities across its supply chain, including delivery executives, to strengthen the supply chain.

In May 2021, Big Bazaar rolled out its two-hour delivery service in small cities, such as Bhopal, Mangalore, Raipur, Ranchi, Guwahati, Kanpur, Lucknow, and Varanasi, and recorded a boost in orders over the past weeks.

In April 2021, Flipkart expanded its hyperlocal delivery service Quick to six new cities including Delhi, Gurugram, Ghaziabad, Noida, Hyderabad, and Pune as the demand for essential goods on e-commerce platforms surges amid the second wave of the pandemic.

1.3.2 GOVERNMENT INITIATIVES

The Government of India has taken various initiatives to improve the retail industry in India. Some of them are listed below:

In October 2021, the RBI announced plans for a new framework for retail digital payments in offline mode to accelerate digital payment adoption in the country.

In July 2021, the Andhra Pradesh government announced retail parks policy 2021-26, anticipating targeted retail investment of Rs. 5,000 crore (US$ 674.89 million) in the next five years.

Government may change Foreign Direct Investment (FDI) rules in food processing in a bid to permit E-commerce companies and foreign retailers to sell made in India consumer products.

Government of India has allowed 100% FDI in online retail of goods and services through the automatic route, thereby providing clarity on the existing businesses of E-commerce companies operating in India.

The government's focus to improve digital infrastructure in Tier 2 and Tier 3 markets would be favourable to the sector.

The Minister of MSME announced inclusion of retail and wholesale trades as MSMEs. Retail and wholesale trade will now get the benefit of priority sector lending under the RBI guidelines.

1.3.3 ROAD AHEAD

E-commerce is expanding steadily in the country. Customers have the ever-increasing choice of products at the lowest rates. E-commerce is probably creating the biggest revolution in retail industry, and this trend is likely to continue in the years to come. Retailers should leverage digital retail channels (E-commerce), which would enable them to spend less money on real estate while reaching out to more customers in tier II and tier III cities.

Online retail market in India is projected to reach US$ 350 billion by 2030 from an estimated US$ 55 billion in 2021, due to rising online shoppers in the country. In 2020, the most common payment methods online were digital wallets (40%), followed by credit cards (15%) and debit cards (15%). Online penetration of retail is expected to reach 10.7% by 2024 versus 4.7% in 2019.

Nevertheless, long-term outlook for the industry looks positive, supported by rising income, favourable demographics, entry of foreign players, and increasing urbanisation.

1.4 CASE STUDY -- TANISHQ, D'DAMAS & INTERGOLD

Tanishq, from the Tata Group, was started in 1995 and is one of the most diversified business conglomerates. Ten years ago it challenged the established family jeweler and introduced new rules in the precious jewelry segment. Tanishq marked the beginning of jewelry chains in the country, as against the single store norm of the category traditionally. It has witnessed steady growth over the last two years. From a retail presence in 55 cities with 69 stores across 1,01,290 sq.ft. of retail space in 2004-05, it currently has 92 stores across the cities.

In 2003, the Gitanjali Group and Damas LLC Dubai — the largest jewelry retail chain in the Middle East came together to form D'damas — a contemporary collection of gold and diamond jewelry. D'Damas' gold jewelry is endorsed by the World Gold Council (WGC) and its diamond brands by DTC. Some of the most successful brands of the group are Gili, D'damas, Giantti and Sangini diamond Jewelry.

Intergold, another rentuse from the Rosyblue Group, was started in 1996, and works in close association with DTC (De Beers), World Gold Council and Platinum Guild International. It the one of the largest diamond jewelry retail chain in India with over 20 stores across India.

Questions:-

1. Out of these three which has the global presence and why?
2. Which brand is more popular as per your observation?
3. What are the future prospects of such business in India?

1.5 CHECK YOUR PROGRESS

1. The first and foremost method of retail is:

a. Counter service

b. Self-service

c. Online shops

d. Cost-plus pricing

2. In a ___, a retailer sells to consumers through multiple retail formats, such as websites, physical stores.

a. Multi-channel retailing

b. Retail management

c. Counter selling

d. Retail strategy

3. Small grocery stores that are run by individuals or families and cater to their immediate neighborhood or locality.

a. Brick and mortar stores

b. Mom-and-pop stores

c. Departmental stores

d. Kirana stores

4. The planning system prioritizes according to ___ since that is the best way to ensure the lowest possible inventory.

a. Packaging date

b. Delivery date

c. Shipment date

d. Distribution date

5. Identify optimum business rules and leverage your corresponding business logic across your retail chain.

a. Enhance process control

b. Streamline systems management

c. Separate application code from business logic

d. Leverage powerful enterprise integration bus

6. The marketing and selling of goods or services using internet-based computing and communication.

a. e-Business

b. e-Commerce

c. e- Fulfillment

d. e- Thematic

1.6 SUMMARY

Retailing is one of the fast growing sector of the world. It offers a variety of services to the customers. The main aim of retailing is to make the customer happy by providing all the facilities to him at his door step. No doubt still retailing has to face a lot of challenges in India but it is one of the most promising sector of business now a days. The person can also observe that most of the local karyana shopkeepers are also moving from small shops to the large outlets of retail. So no doubt retailing is now shifting the Indian economy to the new trends.

1.7 KEYWORDS

- **Retailing: -** it is the selling of merchandise and certain services to consumers. It ordinarily involves the selling of individual units or small lots to large numbers of customers by a business set up for that specific purpose. In the broadest sense, retailing can be said to have begun the first time one item of value was bartered for another. In the more restricted sense of a specialized full-time commercial activity, retailing began several thousand years ago when peddlers first began hawking their wares and when the first marketplaces were formed.
- **Retailer: -** A person or business that sells goods to the public in relatively small quantities for use or consumption rather than for resale.
- **E-commerce: -** E-commerce is the buying and selling of good or services via the internet, and the transfer of money and data to complete the sales. It's also known as electronic commerce or internet commerce.
- **Customer Satisfaction: -** Customer Satisfaction (CSAT) is defined as the measure of a customer's happiness with a company's product, service, or capability. It is a commonly used term in marketing and a barometer of how well a company's offerings meet customer expectations.
- **FDI:-** Foreign direct investment (FDI) is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy (foreign direct investor or parent enterprise) in an enterprise resident in an economy other than that of the foreign direct investor (FDI enterprise or affiliate enterprise or foreign affiliate)

1.8 SELF-ASSESSMENT TEST

1. What do you mean by retailing? Explain the various characteristics of retailing.
2. Define the various advantages of retailing.
3. Discuss the various challenges of retailing in India.
4. Describe the dimensions of retail equation.
5. "Retailing is not only an integral part of our economic structure but also shapes and is shaped by, our way of life." Discuss.

6. Explain the sudden surge in the global retail market. Why do developing countries like Brazil and India constantly feature in the top of Global Retail Development Index?
7. Discuss the pros and cons of a career in retail.

1.9 ANSWER TO CHECK YOUR PROGRESS

1. **A**
2. **A**
3. **B**
4. **C**
5. **A**
6. **B**

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Subject: Retail Management	
Course code: BC 606	**Author: Dr. Rajat Singla**
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THEORIES OF RETAILING

2.0 LEARNING OBJECTIVE

The main objective of this chapters are as follows:-

4. To know about the various theories of retailing
5. To understand the concept of life cycle in case of retailing
6. To understand the concept of Retail Formats

2.1 INTRODUCTION

Retailing may be defined as the selling of goods to the general public, rather than sales to business. The word retail is derived from French words “re” and “tailer” whose meaning is to “cut again”. Retail store works exactly as their name describes. Goods are sold in small pieces to make a profit. Retailing involves various activities to sell to end consumers for their non-business and personal use.

The meaning of retailing is to sell goods from a fixed location such as from kiosk, departmental store, or by post. Goods are sold to consumers in small portions so that consumers can consume them. A retailer purchase goods from an importer or manufacturer directly or through a wholesaler to sell small portions of goods to final-consumers. Retail stores are also referred to as stores or shops. Retailers are the last element of the supply chain. The process of retailing is considered as one of the most important parts of their complete distribution strategy. The process usually involves sales of relatively small amounts of finished goods, with purchasers mainly motivated by their own consumption needs and not for resale.

2.2 EVOLUTION, THEORIES AND MODELS OF RETAIL DEVELOPEMNT

2.2.1 EVOLUTION OF RETAIL FORMATS

The origin of retail formats are as old as the trading was done in any part of the world. As we are very much aware that the first part of trade was done through barter system. In case of barter system the person were exchanging one product for another product and normally these products are exchanged for self-consumption. But with the passes of time the different formats of retail formats emerges which are as under:-

1) Department Stores

Department stores are large stores which sell different types of products under one roof in different departments. Each department has an individual specialization of merchandise. Each store is handled separately in accounting, management, and location. Therefore, a department store handles different business units and deals with a variety of merchandise and are organized in different departments for the purpose of accounting control, sales promotion, and store operations. The latest trend in department stores is to add departments for sports and recreational equipment and automotive along with providing services like travel advice, insurances, and income tax preparations, etc. Department stores can also be referred to as shopping centers.

- **Types of department stores**
  - Chain Department Stores – This type of stores is owned and managed centrally.
  - On the basis of income groups – These stores are designed to serve people with high- and middle-income groups. These stores sell high-quality goods and provide first class services to its customers. There are also stores which are designed to cater to people with low income such as dollar stores.
  - Leased department stores – The stores whose operations are given out on lease are called leased department stores.
- **Various features of department stores:**
  - Merchandises are arranged in different departments in the same store.
  - Department stores are integrated stores which perform operations.
  - Department stores are distinguished by the nature of goods sold by them, not by the variety of goods sold by them like drug and variety store.
  - Department stores are designed horizontally in order to provide different merchandises under the same roof.
- **Advantages of department stores**
  - Department stores usually buy products in bulk which gets considerable discounts. In addition to this, department stores buy directly from the manufacturer therefore, it eliminates any middleman charges results in high profits.
  - Department stores were a big business are in a position to pay for goods being purchased. In this way, quality goods can be purchased on much cheaper rates and also merchandise of the latest style and design can be obtained to be sold in stores.
  - Department stores attract customers because of the convenience offered by them for people of all classes.

- Because of its large scale of business expert supervision can be provided for each department. In addition to this, various services like liberal credits, expert assistance for shopping, and delivery services can be provided to customers.
- Department stores can afford to spend on advertising to lure customers to buy more. For example, within department stores, various discount and offer advertisements are placed to make customers purchase more than they plan to buy.

- **Limitations of Department stores**
  - It is very expensive to run a department store as it includes various expenses. For example, a large number of salespersons are needed to handle different departments and cash counters.
  - Because of its large size, personal touch and interaction with customers are missed which is not a problem in single line stores.
  - As area required to establish these stores is large, they are usually set up on the outskirts of a city. Hence, these are not much beneficial for the customers as they have to buy urgently required goods from the nearby traders.
  - As the whole control is in the hands of employees such as store managers, there are high chances of leak and loss.
  - Many times customers take advantage of "customers are always right" policy.
  - It has been observed that in many stores poor salesperson service is provided because of the low payments given to them.

2) Super Markets

Supermarkets are self-service stores that sell a wide range of food as well as non-food products. Supermarkets have at least four basic departments such as self-service grocery, dairy produce, meat, and household department. These stores can be either entirely operated by owners or they are given on lease to others to operate.

- **Features of supermarkets**
  - Goods are displayed in bulk.
  - Supermarkets are located in nearby housing areas so that people have easy access.

- These stores offer a wide range of products, low prices, nationally advertised brands, and also convenient parking.
- It follows the "cash and carry" policy.
- Minimum customer's service is provided in these stores as these stores work on the basis of self- service.

- **Advantages of Supermarkets**
  - The supermarket sells a wide variety of merchandises.
  - The supermarket offers convenient shopping to customers as they can buy everything under one roof.
  - Supermarkets offer low-profit margins, high discounts, and convenience of buying everything under one roof.
  - Customers don't have to spend a lot of time.
- **Disadvantages of supermarkets**
  - Fewer customers' services.
  - Products which require instruction to use are difficult to purchase from supermarkets as there is no one to assist you.
  - High administrative expenses required to run a supermarket.

3) Chain Stores or Multiple Shops

In this format of retailing, a chain store consists of four or more stores sell the same kind of merchandises and are owned and managed by a single owner. The supplies are stocked in chain stores are provided by one or more warehouses owned by the chain store owner. This retail format is known as "Chain Stores" in America and known as "Multiple Shops" in Europe. In chain stores, customers are approached to provide them assistance and not forced to make purchases. More than one store can be opened in one city to magnet more and more customers. The appropriate examples of chain stores are Walmart, Subway, Bed Bath and Beyond, and Body Shop, etc. Chain stores work on the basis of "Centralized buying with decentralized selling".

- Features of Chain Stores

- When one or more shops are run under one name are called chain stores.
- There is centralized control over all the shops.
- Chain stores are integrated stores.

- Advantages of Chain Stores:
    - Chain stores offer low selling prices.
    - Low advertisement cost as the advertisement is done on a central basis.
    - Chain stores work on a cash basis. Therefore, there are fewer chances of bad debts and less accounting process required.
    - No need to look for costly and centralized locations.

- Disadvantages of Chain Stores:
    - People believe that merchandises are sold at a low price which is clearly a false claim.
    - Chain stores lack flexibility as it does not offer wide varieties of products.
    - There are high chances of a problem because there are several problems associated with the large scaled business.
    - Chain stores do not provide facilities like door delivery and credit facility. Therefore, it has a poor bad image.

4) Discount Houses

Discount house is a type of retail format which operates at low cost and almost no customer's service. These stores are large in size, open for public and advertised heavily. They sell a wide range of products of well-known brands, housewares, appliances, sporting goods, house furnishing, toy and automotive services, and clothing, etc. These stores operate on a self-service basis and no customer service is provided in them. Discount houses can be of different types such as small store, Full line limited service, catalogs type order offices. The stocks in discounts houses are bought from both wholesalers as well as manufacturers.

5) Direct Selling

Direct selling is when customer and seller have direct contact with each other away from the store. Direct selling is also referred to as home selling. The total volume of direct selling has been growing in India since the beginning of the 21st century. Direct selling is not only popular in India but it is also utilized in many other countries. In Japan, approximately 35% of total selling is done by direct selling and in the United States of America, this number is 30%.

Features of direct selling:

- The whole business is controlled centrally.
- There is no building to display products.
- The seller needs to establish a relationship with the customers to gain their trust.
- Direct selling does not require heavy initial investments.

- **Advantages of direct selling:**
  - Customers can contact salesperson personally and can buy the product from the comfort of their home or at the non-store location.
  - Customers can ask for a demonstration of how a product work before making investments to buy it.
  - No expenses of maintaining or renting a building, stocking inventory, or hiring accountants and sales person to handle customers.
- **Disadvantages of Direct Selling:**
  - Even if there is a high sales commission on selling but in this a salesperson will only get paid when he makes any sales.
  - There are chances that your salesperson turns out to be fraudulent.

6) Telemarketing

Telemarketing is also known as telephone selling. In telemarketing, a salesperson initiates a sale over the phone to a prospect and close it over the phone only. It consists of cold canvassing from a phone directory. There are various products such as magazine subscriptions, pest control devices, club memberships, and credit cards which can be sold without seeing are usually sold over the phone. There are several problems associated with telemarketing also. Telemarketing people sometimes encounter with hostile people on the telephone and receive many more rejections than close deals. Therefore, many sales person don’t last even for a week in this job and some telemarketers opt for unethical or questionable ways to somehow get a deal closed, for example, some firms call people at any time no matter day or night.

This method of selling is sometimes criticized for violating consumers’ right to privacy. Some states have put strict rules to limit the activities of telemarketers. Despite these limits, the sales over telephones have increased tremendously in the past few decades. There are some people who like the convenience of shopping over the phone, really appreciate telemarketing even though it is loathed by many people. The cost of selling through telephone has reduced drastically after the introduction of computers, as computers can dial automatically, deliver recorded messages, and even record information provided by the buyer. The future of telemarketing clearly depends on the way the above-mentioned problems will be handled.

7) Online Retailing

Online retailing is when a firm offers products on their website. In online marketing, there are one or more businesses involved and the buyer is an ultimate consumer. The number of online retail firms are rapidly increasing such as Pets Mart, Busy.com, CDNow.com, Amazon.com, etc. Some online retailers launch general products form retailers such as Wal-Mart and Target.

On the other hand, there are some firms like “Amazon” which uses different methods broaden their business. It takes some investments to set up online operations. Online retailers use attractive advertising to attract shoppers and retain them. Sometimes, online marketing proves to be expensive and unprofitable because of the offers and discount offered by online marketers. Even with these challenges online marketing has a bright future and is expected to grow in the foreseeable future. According to a survey in 2005, people like to buy products like music, videos, books, apparel, computer hardware and software, and travel, etc. But at present time, many more categories such as toys, groceries, health aids, beauty products, pet supplies, and auto parts.

8) Automatic Vending

A sale is made without the slightest contact between a seller and a buyer through automatic vending. The idea behind selling through automatic vending is to provide convenient purchase. Products from well-known brands and those have great turn-over are usually sold through automatic vending machines. Most of the selling from automatic vending comes from "4 Cs": Coffee, Cold Drinks, Cigarettes, and candies. A vending machine is an appropriate way to expand business by reaching customers to such locations where there are no stores nearby or when they can't come to a store. The vending machines are installed in places like schools, colleges, workplaces, public facilities, etc. However, it is expensive to operate vending machines as they are required to replenish frequently.

In addition to replenishment cost, there are other costs of repairs and maintenance. The above-mentioned difficulties could be a reason for less scope of vending machines in the future. Moreover, frequent vending-related scams scare entrepreneurs spending in this retail format. However, various innovations are made to make vending machine business more lucrative for customers such as purchase using debit cards. The amount of purchase is deducted from the cardholder's card. Technological advancement made it easy to monitor vending machines from distance and reducing the chances of out-of-stock, out-of-order, and theft incidences.

9) Mom and Pop stores

Mom and Pop stores are types of retail format which is a small, independent, family-owned business. This type of stores usually faces tough competition from big well-established businesses who can lure customers to buy more with their heavy advertising and marketing methods. Mom and Pop stores can be different types of establishments such as bookstores, restaurants, insurance agencies, and automotive repair shops, etc. Nowadays, mom and pop businesses have a high scope of success because more and more people demand personalized products and services. In addition to this, with the invention of the internet, these small stores also take their business online and orders from customers irrespective of their geographical location. Moreover, this type of stores is also supported by people of local communities as they want to invest their money in local businesses over foreign businesses.

10) Franchising

In this retail format, a businessman who owns the business (known as a franchise) and a company who offers business (known as franchiser). A businessman can use the name of already well-established business's name to run their business under a certain condition set up franchiser. The conditions vary from business to business, however a franchiser decides certain areas like site selection, location, training, management, marketing, financing, promotions, and record-keeping, etc. In addition to this, he also has rights to decide standard operating procedures and trade name of the business. A franchisee has to agree to follow conditions set by the franchiser.

- **Different benefits of franchising:**
  - Conserve capital.
  - Low marketing costs.
  - Easy to establish a distribution system to a short period of time.
  - Cost of fixed expenses cut down substantially.

11) Direct Marketing

Direct marketing consists of all Non-store retail formats except telemarketing, direct selling, online retailing, and automatic vending. Direct marketing is a way of contacting customers through broadcasting or print media. The products are advertised on these media and customers buy products online without even going to retail stores. The different platforms to contact customers through direct selling are Television, radio, magazines, newspapers, mailing, and catalogs, etc.

Direct marketing can be of two types such as general merchandise firms which offers various types of products and other is specialty firms which offers one of two lines of products for example beauty and books.

- **This format of retailing includes**
  - Catalog Retaining – Catalogs are mailed to consumers or made provided to them in retail stores.
  - Direct Mail – Samples products, brochures, and mail letters are sent to consumers and ask them to make a purchase through telephone or email.
  - Tele-shopping – Various lines of products are sold on different television channels where people can learn about the features of the products and can place orders over the phone instantly.

Direct marketing also offers shopping convenience to consumers and it is also less expensive than owning a physical store as a seller don't have to run store to sell. Often liberal return policies are given to consumers like the product without touching and seeing the product physically.

This can be a drawback for the seller as many people take advantage of this policy. Moreover, it is expensive to prepare catalogs and they are required to be prepared a long time ago before sending to the customers. Therefore, additional supplement brochures or catalogues are required when new products are launched. The future of direct marketing is not sure on the basis of the present customer's preferences.

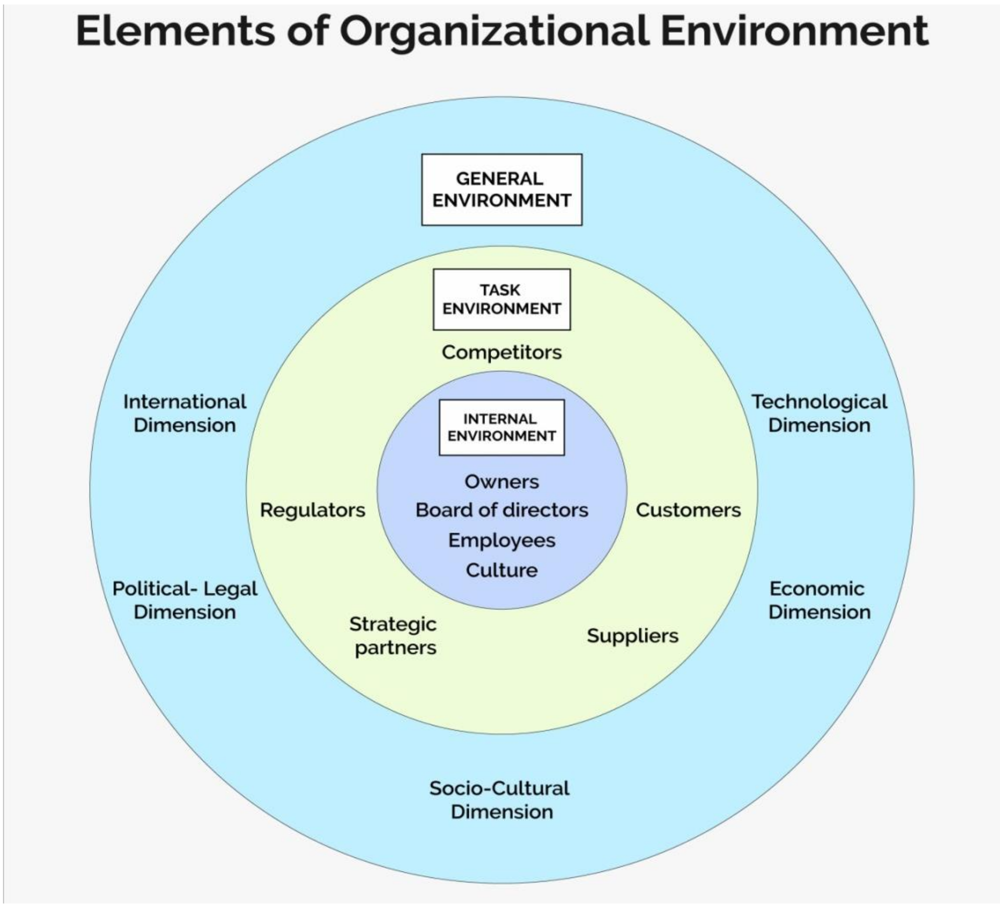
2.2.2 THEORIES OF RETAIL DEVELOPMENT

Every discipline must have some base on which the concept and other fundamental of that disciplines are described. Those concepts on which the various fundamentals of any subject is based are known as theory. So theory can be defined as a set of principles on which an activity or any action is based. Retailing also has been identified as a separate discipline and it is also based on some theories. Retail development can also be looked at from the theoretical perspective. No single theory can be universally applicable or acceptable. The application of each theory varies from market to market, depending on the level of maturity and the socio-economic conditions in that market. The theories developed to explain the process of retail development revolve around the importance of competitive pressures, the investments in organizational capabilities and the creation of a sustainable competitive advantage, which requires the implementation of strategic planning by retail organizations Growth in retail is a result of understand in market signals and responding to the opportunities that arise in a dynamic manner. Theories of retail development can broadly be classified as:

1. Environmental Theory- where a change in retail is attributed to the change in the environment in which the retailers operate.
2. Cyclical Theory- where change follows a pattern and phases can have definite identifiable attributes associated with them.
3 Conflict Theory- where the competition or conflict between two opposite types of retailers, leads to a new format being developed

2.2.2.1 ENVIRONMENTAL THEORY

The environment that a retailer competes in is sufficiently robust to squash any retail form that does not adjust. Thus, the birth, success or decline of different forms of retail enterprise is many a time attributed to the business environment. Darwin's the of natural selection has been popularized by the phrase "survival of the fittest". Retail institutions are economic entities and retailers confront an environment which is made up of customers, competitors and changing technology. This environment can alter the profitability of a single retail state as well as of clusters and centers. The environment that a retailer competes in, is sufficiently robust to squash any retail form that does not adjust. Thus, the birth, success or decline of different forms of retail enterprises is many a times attributed to the business environment. For example, the decline of department stores in the western markets is attributed to the general inability of those retailers to react quickly and positively to environmental change. The environmental theory is very much dependent on the various environmental factors. Businesses don't operate in a vacuum but in a dynamic environment that influences how they operate and achieve their objectives. A business environment refers to a set of forces within and beyond an organization that affects the way it functions. It's the collection of stakeholders, entities and other significant internal and external factors that impact the performance, productivity, growth and even survival of a business. There are two key types of business environments internal and external. Business owners and managers exert significant influence over day-to-day decisions and internal situations. On the other hand, external factors that are economic, social, technological, political and legal create unique challenges and opportunities that influence the organization.



The main idea underpinning environmental evolution theory is that retail firms will evolve and change in response to changes in the microenvironment. This theory states that the firms which are best able to adapt and take advantage of changes in the environment are those most likely to survive and thrive. For example, planning with the use of tools such as a PEST analysis or a Porters Five Forces Analysis may provide information to be used.

The environmental evolution theory can be used to explain the rise of discount supermarket such as Aldi and Lidl who have become more popular following the recession, and have leverage their low price advantages to gain more customers and expand.

However, there are weaknesses with this model. While many firms do respond to external stimuli, many retailers take a proactive approach, seeking to gain first mover advantages.

2.2.2.2 CYCLIC THEORY

The wheel of retailing theory is one of the most common cyclic retailing theory. This was first proposed by McNair (1958) is one of the oldest retailing theories, and is frequently cited. The idea is that retailers will enter the market and progress through a cycle of strategies.

Source:-https://www.wisdomjobs.com/e-university/retail-management-tutorial-1106/retail-challenges-and-theories-27336.html

Initially, McNair believed that retailers would enter the market using a low-cost strategy, and accepting low profit margins, as a method of acquiring customers. Costs are kept to a minimum during this phase, with the retailer offering only limited service and product range. This was referred to as the entry phase.

As the retailer acquires customers and profits, they move on to the trading up phase of the cycle. At this stage the retailer has gained customers and is able to invest in the business in order to improve profits. Strategies that this stage may include obtaining better facilities, for example moving to higher locations, increasing the service level, expanding the product range, and investing more in displays and advertising. Notably, when one retailer moves into this phase, they may leave a gap in the retail sector for new discounters to enter.

The third stage is the vulnerability phase, where the retailer has become a mature business and may now have high overhead costs. At this stage the organization may be facing a declining return on investment, may need to renew their strategies in order to retain existing customer, who may be tempted to competing organizations where there are lower prices, high level of differentiation. Therefore, the mature retailer may move back to the entry phase, with a need to attract new customers, often achieved through increased discounting, and cutting costs to alleviate the heavy overheads.

This theory does explain many retailing trends in many countries. For example, Marks and Spencer in the UK started out as a market stall before the High Street, and then facing challenges and losses with high overhead in the 1990s. The weakness of this model is its focus on costs, and inability to explain the continuing presence of profitable premium market specialist firms.

2.2.2.3 CONFLICT THEORY

Conflict theory has its foundation in Dialectic theory, which is a recognized conflict theory based on Marx's Theory of Evolution. The basic idea is that for progress to be made in any environment there must be conflict, with new ideas taking the place of the older ideas and practices, which may then be emulated creating a hybrid or new format, which itself will eventually be replaced.

In a retail environment, this means that one firm, or format, will be challenged by new or competing firms and formats. As the nee form or format become more effective, the older firms or formats will emulate the new ideas in a form of synthesis. For example, the supermarkets have emulated the online shipping environment by offering online grocery shopping. Recently, online firms have sought to compete with the supermarkets, as seen with Amazon offering a 'save and subscribe' service, to deliver regular items on a predetermined schedule, including some grocery items, and the recent launch of the grocery store offering same day delivery in trial areas.

It is hypothesized the best features of the preceding models are likely to be retained and combined with new competing ideas to create new retail models.

This model may explain how and why some trends appear to develop and are then adopted and spread creating hybrid models. However, there are weaknesses with the model; it does not explain why many traditional retail stores do not change and evolve, and the argument that the blending of ideas is not always easily visible, and as such means this model may be seen as ambiguous.

So all the above theories are very much important in case of retailing.

2.2.3 BUSINESS MODELS

Every business has its distinctive way of organizing the very many activities that are involved in delivering its product or service to the end consumer. In retail parlance, one would term it as the format adopted by the retailer to reach his end consumer. Over a period of time, as business grows, changes occur in the environment, the customer and the geographies in which business is conducted. Companies are confronted with new information and communication technologies, shorter product life cycles, global markets and tougher competition. Various retail models exist in the world of retail. To start with, let us first understand what a business model in retail entails. A business model is the manner in which a business chooses to serve its customers and stakeholders. In retail, a business model would dictate the product and / or services offered by the retailer, the pricing policy that he adopts. The communication that follows to reach out to customers and the size looks at the location of retailer's retail store. This is termed in retail as a format in which the retailer operates. It has to be borne in mind that a retail model is relevant with reference to a particular time frame and the critical factors, which affect the retail model are:

1) Trends in market positioning
2) Competition and
3) The organizational capabilities.

These three factors jointly enable the understanding of the contexts and strategies adopted by retailers over a period of time.

2.2.3.1 CLASSIFICATION ON THE BASIS OF OWNERSHIP

On the basis of ownership, a retail store can be an independent retailer, a chain retailer or a corporate retail chain, a franchise or a consumer co-operative.

- **Independent retailer: -** An independent retailer is one who owns and operates only one retail outlet. Such outlets essentially feature the owner & proprietor and a few other local hands or family members working assistant in the shop. Many independent stores tend to be passed on from generation to generation.
- **Corporate retail chain**:- When two or more outlets are under a common ownership, it is called a retail chain. These stores are characterized by similarity in merchandise offered to the consumer, ambience, advertising and promotions. Examples in India include Wills sports (ITC), Louis Phillippe, Van Huesen, (Madura Garments), Arrow (Arvind Mills) and department stores like Globus, Westside and Shopper's Shop Food world, Music world, Planet M etc are also examples of chain retailers. The biggest advantage is that a chain retailer has the bargaining power that he can have with the suppliers. Cost effectiveness is also possible in advertising and promotions. Since chains expand across cities and regions, it may not always be possible to take into account regional, or rural and urban preferences. The ability to give attention to each of the stores becomes fairly restricted.
- **Franchising:** A franchise is a contractual agreement between the franchise and the franchise, allowing the franchisee to conduct a business under an established name as per a particular business format in return for a fee or compensation. Franchising may be of the following types:

  1) A product or trade mark franchise – where the franchisee sells the products of the franchiser and / or operates under the franchiser's name. Archie's stores, which come up across India, are an example of product franchising.

  2) A business format franchise – McDonald's is perhaps one of the best examples of business format franchising.

  Under both the mentioned methods of franchising, the franchise may be for a single store, a multiple number of stores or for a region or country. While outlets of Van Heusen, Louis Philippe, Arrow and Benetton are examples of individual franchises in India, McDonald's operates at the level of two regional franchises, Pizza Hut, Domino's and Subway are also franchises operating in India.

- **Leased departments:** These are also termed as shop in shops. When a section of a department in a retail store is leased / rented to an outside party, it is termed as a leased department. A leased department within stores is a good method available to the retailer for expanding his product offering to the customers. In India, many large department stores operate their perfumes and cosmetics counters in this manner. A new trend emerging in Indian retail is that of larger retail chains setting up smaller retail outlets or counters in high traffic areas like malls, department stores, multiplexes and public places like airports and railway stations. These stores display only fraction of the merchandise/products sold in the anchor stores. Their main aim is making products available to the consumer near his place of work or home.
- **Consumer co-operatives:** Consumer Co-operatives aim at providing essential commodities at reasonable prices. As a national policy, consumer cooperatives have been encouraged and developed as a democratic institution, owned, managed and controlled by its members, for protection of the interest of the common consumers. The presence of consumer cooperatives has been working as a force of market for the common man. To some extent, it has been successful in protecting the interest of the common man and in stabilizing the prices. Examples of co-operatives in India are the Sahakari Bhandars and Apna Bazaar shops in Mumbai and Super Bazaar in Delhi.

  Over the years, consumer cooperatives have developed a creditable network of four-tier structure with 25,750 primary stores, along with a number of branches at the grass root level, 676 wholesale / central stores with 6,331 branches and 29 consumer federations, including some composite federations and the NCCF at the National Apex.

2.2.3.2 CLASSIFICATION ON THE BASIS OF PRODUCTS OFFERED

On the basis of products offered the retailing models can be classified as follows:-

- Departmental stores: - A departmental store is a large-scale retail organisation having a number of departments under one roof. Each department specializes in one particular kind of trade. All these departments are centrally organized and are under one united management and control.

- Off price retailers: - Off-price retailers are retailers who provide high quality goods at cheap prices. They usually sell second-hand goods, off-the-season items etc. Description: These retailers offer inconsistent assortment of brand name and fashion-oriented soft goods at low prices.
- Catalogue stores: - A retail commercial establishment in which orders are accepted for the purchase of goods listed in a catalogue provided by the establishment and in which some or all of the goods so listed may also be available within the establishment for sale at retail.
- Specialty stores: - A specialty store is a shop/store that carries a deep assortment of brands, styles, or models within a relatively narrow category of goods. Furniture stores, florists, sporting goods stores, and bookstores are all specialty stores. Stores such as Athlete's Foot (sports shoes only) are considered super specialty stores.
- Convenience stores: - A convenience store can be defined as a retail business designed by keeping the convenience of its customers in the center. Therefore, these stores are located at convenient locations where people can quickly purchase a vast number of products such as grocery items, food, and gasoline, etc.
- Super market: - The super market is a large-scale retail institution specializing in necessaries and convenience goods. They have huge premises and generally deal in food and non-food articles. In the words of M.M. ZIMMERMAN, "A super market is a departmentalized retail establishment having four basic departments viz. self-service grocery, meat produce, dairy products plus other household departments, doing a maximum business. It may be entirely owner-operated or have some of the departments leased out on a concession basis."
- Hyper Market: - A hypermarket is a retail store that combines a department store and a grocery supermarket. Often a very large establishment, hypermarkets offer a wide variety of products such as appliances, clothing, and groceries. Hypermarkets offer shoppers a one-stop shopping experience.
- Kiosk:- A small sometimes movable booth from which cigarettes, newspapers, light refreshments, etc. are sold
- Shopping Mall:- A shopping mall (or simply mall), shopping center,, or shopping arcade is a building or set of buildings that contain retail stores, with interconnecting walkways enabling

visitors to easily walk from store to store. The walkways may be enclosed. In the British Isles and Australia, "shopping malls" are more usually referred to as "shopping centers" or sometimes, "shopping arcades." In North America, the term "shopping mall" is usually applied to enclosed retail structures, while "shopping center" or "shopping plaza" refers to open-air retail complexes.

- Discount Stores: - A discount store, as the name suggests, is a category of retail business where a retailer sells products at greater discounts. Mostly, discount stores operate on the same principles as a departmental store. That said, discount stores also sell different types of products under one roof (all in one shop). However, in comparison to departmental stores, the prices are lower at discount stores.

2.3 LIFE CYCLE IN RETAIL

The concept of product life cycle is also applicable to retail organizations. This is because retail organizations pass through identifiable stages of innovation, development, maturity and decline. This is what is commonly termed as the retail life cycle.

Attributes and strategies change as institutions mature. The ‘Retail Life Cycle’ is a theory about the change through time of the retailing outlets. It is claimed that the retail institutions show an s-shaped development through their economic life. The s-shaped development curve has been classified into four main phases:

1. Innovation:

A new organization is born, it improves the convenience or creates other advantages to the final customers that differ sharply from those offered by other retailers. This is the stage of innovation, where the organization has a few competitors. Since it is a new concept, the rate of growth is fairly rapid and the management fine tunes its strategy through experimentation. Levels of profitability are moderate and this stage can last up to five years depending on the organization.

2. Accelerated Growth:

The retail organization faces rapid increases in sales. As the organization moves to stage two of growth, which is the stage of development, a few competitors emerge. Since the company has been in the market for a while, it is now in a position to pre-empt the market by establishing a position of leadership. Since growth is imperative, the investment level is also high, as is the profitability.

Investment is largely in systems and processes. This stage can last from five to eight years. However, towards the end of this phase, cost pressures tend to appear.

3. Maturity:

The organization still grows but competitive pressures are felt acutely from newer forms of retailing that tend to arise. Thus, the growth rate tends to decrease. Gradually as markets, become more competitive and direct competition increases, the rate of growth slows down and profits also start declining. This is the time when the retail organization needs to rethink its strategy and reposition itself in the market. A change may occur not only in the format but also in the merchandise mix offered.

4. Decline:

The retail organization loses its competitive edge and there is a decline. In this stage, the organization needs to decide if it is still going to continue in the market. The rate of growth is negative, profitability declines further and overheads are high.

The retail business in India has only recently seen the emergence of organized, corporate activity. Traditionally, most of the retail business in India has been small owner managed business. It is difficult to put down a retail organization, which has passed through all the four stages of the retail life cycle.

In the private sector, till a few years ago, most cities in India had a few independent retailers. For example, Mumbai had stores like Akbarally's., Premsons, Amarsons and Benzer. Then Shopper's Stop opened its first outlet in Mumbai in 1991.The store initially offered apparel, imitation jewelry cosmetics and perfumes and home fashions. It also had a customer loyalty program in place, which many stores at that time did not offer.

The store enjoyed an enviable position for a while. However, with the change in customer expectations and increased competition in the form of other department stores like Globus, Eastside, Lifestyle, etc and the rise of specialty stores, the company has been forced to rethink its product offering. It now not only stocks apparel, jewelry, cosmetics etc that it earlier stocked but has also acquired the book store chain Crosswords.

Cross words counters have been added to many of the existing stores. The store in Andheri (Mumbai) also houses Planet M, music retail chain and a small coffee shop. In May 2008, the company embarked upon a major exercise in terms of repositioning of the store, which involved among other things, a change in the logo. It is necessary to keep in mind that a retailer need not always move from maturity to decline. By reworking the marketing strategy or by changing the product or service offering, a retailer may succeed in moving back to the growth phase after reaching a stage of maturity with a certain format and a certain mix of products.

2.4 CASE STUDY

Walmart's Retail Evolution

When you think of Walmart, what comes to mind? Sprawling, expansive stores where you can get your oil changed, pick up dinner ingredients and grab a 55-inch television in one location? That may well be the case with Walmart's typical 120,000-square-foot Supercenters, which slowly started sprouting up in communities and suburbs since the 1970s. But, do you also think of fresh produce, easy in-and-out access and a fully-stocked grocery store when you think of the mega retailer? Walmart's Neighborhood Market stores, which come in at roughly half the size of a traditional grocery store (and one-third the size of its Supercenters) have been an evolution in the way the retailer does business.

Rather than trying to appeal to consumers of groceries, clothes and toys all under one roof, Walmart has shifted its strategy with these mid-sized retail locations, appealing more directly to people who need a loaf of bread or gallon of milk and want to grab it quickly.

The shift seems almost implausible for a retailer whose entire persona in the retail landscape was built around being a one-stop, supercenter option.

Questions:-

1. *What is your opinion about Wall Mart?*
2. *How retail competition evolves due to consumers' changing tastes, shifts in the market or the rising cost of doing business?*
3. *Do you think that the strategy opted by wall mart is right?*

2.5 CHECK YOUR PROGRESS

1. No middle men is involved in –

a. wholesale trade

b. retail trade

c. direct marketing

d. indirect marketing

2**. A multi-channel retailer sells merchandise**

a. over telephone

b. through retail stores

c. over internet

d. over more than one channel

3. A concept in retailing that helps explain the emergence of new retailers is called the _______________ hypothesis.

a. retail life cycle

b. wheel-of-retailing

c. service-assortment

d. Product life cycle

4. The retail organization loses its _________ edge at decline stage

a. Competitive

b. Promotion

c. Positioning

d. Segmenting

5. Which of the following is not the Commercial Sources of Consumer Information

a. Displays

b. Packaging

c. Acquaintances

d. Websites

2.6 SUMMARY

Like every other industry new retail firms have brought innovative approaches in retailing. Retail development can be looked at from different theoretical perspectives, as no one theory is universally acceptable. The reason for this unacceptability is mainly because of different market conditions and different socio-economic conditions in the market. So in case of theories we come to know about various theories of retailing. The retail life cycle is one of the most important concept in case retailing which highlights various stages of retailing.

2.7 KEYWORDS

- **Business Models: -** It is the way by which an organisation makes money (revenue and profit) by selling their products and/or services. It is a simple yet complex model depending on the scale an organisation operates & play and the expertise they possess.
- **Retail life cycle: -** The retail life cycle theory holds that retail institutions experience the cycle of innovation, growth, maturity and decline, like goods and services that they sell, similar to that of the product life cycle.
- **Theories of Retailing: -** Those concepts on which the various fundamentals of any subject is based is known as theory. So theory can be defined as a set of principles on which an activity or any action is based.
- **Environmental Theory:** - The main idea underpinning environmental evolution theory is that retail firms will evolve and change in response to changes in the microenvironment. This theory states that the firms which are best able to adapt and take advantage of changes in the environment are those most likely to survive and thrive.
- **Cyclic theory: -** The wheel of retailing theory is one of the most common cyclic retailing theory. This was first proposed by McNair (1958) is one of the oldest retailing theories, and is frequently cited. The idea is that retailers will enter the market and progress through a cycle of strategies.
- **Conflict theory: -** Conflict theory has its foundation in Dialectic theory, which is a recognized conflict theory based on Marx's Theory of Evolution. The basic idea is that for progress to be made in any environment there must be conflict, with new ideas taking the place of the older ideas and practices, which may then be emulated creating a hybrid or new format, which itself will eventually be replaced.

2.8 SELF-ASSESSMENT TEST

1. What do you mean by Retailing? Explain the various theories of Retailing?
2. Define business models. Explain the various business models which are prevailing now a days.
3. "Retail format are the helpful for providing the good services and products to the customers" do you agree with the statement? Give your views on it.
4. Discuss the Wheel of Retailing theory with the help of a diagram.
5. Why would a new retail store carry a broad assortment of merchandise but does not carry

a deep assortment?

6. How is the Environmental theory of retail similar to Darwin's Natural Selection theory?
7. "The retail life cycle is the theory about the changes through time of the retiling outlets." Keeping this in mind, discuss the lifecycle of a retail institution.
8. Contrast Independent Retail model and franchising.

2.9 ANSWER TO CHECK YOUR PROGRESS

1. C

2. D

3. B

4. A

5. D

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Subject: Retail Management	
Course code: BC 606	**Author: Dr. Rajat Singla**
Lesson no. :03	**Vetter: Prof. Rajiv Kumar**
STRATEGIC PLANNING IN RETAILING	

3.0 LEARNING OBJECTIVES

The fundamental objectives of this chapter are as follows:-

1. To demonstrate the importance of strategic planning for all types of retailers
2. To describe the process in strategic planning for retailers

3. To scrutinize the individual controllable and uncontrollable factors of a retail strategy
4. To present strategic planning as a series of integrated steps

3.1 INTRODUCTION

Retailing is one of the world's wide- ranging industries. It is in a permanent state of change, and the pace of this change has been accelerating over the past decade. From a marketing perspective, retailers are closer to consumers than manufacturers. Retailers are the final stage in the marketing chain and the contact point between consumers and manufactured products.

Planning might be defined as deciding in advance about the objectives to be pursued by the enterprise; the selection of best alternative course of action to reach those objectives and a specification of activities technical, financial, personnel etc. required for the implementation of the pre-selected course of action.

IMPORTANCE OF PLANNING

(i) Planning helps management to face future with greater strength and confidence:

The most certain thing about future is that it is uncertain; and it is uncertain because any type of changes – economic, social, technological, political etc. might take place – beyond the contemplation of management. Planning cannot and does not rule out the phenomenon of uncertainty associated with future conditions.

It can, however, help management to face future with greater strength and confidence, as explained below:

During the process of planning, a manager develops alternative courses of action and selects the best one out of such alternatives. Now, if in the face of future conditions, the best selected course of action fails; the manager can take on to the next best alternative and so on. Rarely will it be that all the alternatives developed by management fail. Therefore, a manager who has done planning is in a better and stronger position to face future; than a manager who has done no planning at all.

(ii) It helps to focus attention on objectives:

Many-a-times out of tension or pressure of work – one might forget the very objective for which one is working. It is really a sign of danger, but such a danger can be avoided; when one proceeds in a planned manner following the planned courses of action.

Since plans are object oriented; the danger on one's part, of forgetting objectives, could be done away with. Further, when objectives are in one's mind all the time; these are sure to be achieved a solid advantage of planning does it become.

(iii) It leads the operational life of the enterprise along the most efficient lines:

This advantage of planning could be explained with reference to the fact that during the planning process, the management selects and adopts the best alternative courses of action best in terms of cost, efforts, time, resources, prestige etc. Now, when an enterprise operates according to the 'best' alternatives'; there is no doubt that its functioning is at its 'optimum performance level.'

(iv) It enables the exercise of controlling:

Planning provides the basis for exercising control over the actions of people, working in an enterprise. This is so because the standards, with reference to which control is exercised, are contained in plans. As a matter of fact, controlling is not possible, in the absence of planning. By enabling the process of controlling, planning serves a useful purpose of management by telling in what manner and to what extent – has the attainment of objectives been possible in the organization.

(v) It acts as a spur to creativity and innovation:

Planning is an intellectual exercise. It forces a manager to constantly think of the best objectives and the best alternative courses of action. Thus, the planning activity helps in the development of creative faculties of managers. This creativity might lead to the invention of certain innovations by managers; which might take the enterprise to the top of excellence in the competitive commercial world. This, of course, is, but an indirect advantage of planning.

(vi) It guides the decision-making process:

Though planning, in itself, amounts to decision-making; yet having formulated a plan once, it acts as a guide to the further decision-making process undertaken by the management. In fact, the evaluation of various alternatives, developed during the decision-making process, can be done on the basis of the net contribution of each such alternative to the planned objectives. Thus, planning helps in rational decision making and distracts management from developing and implementing alternatives which would merely involve a sheer wastage of the precious resources of the enterprise contributing nothing or negligible to the objectives of the enterprise.

(vii) It provides a sense of direction to action:

Planned objectives and courses of action for attaining them as contained in the plans, guide the actions of operators of the enterprise. Each operator can see for himself which actions of his would contribute to the enterprise objectives; and which actions would distract from them. Thus plans act as a torch, illuminating the performance-path of the operators of an enterprise.

(viii) It facilitates co-ordination:

Planning is not a technique for ensuring co-ordination; it is rather a facilitating device, in this regard. In fact, it is easier for management to co-ordinate the actions of individuals; when they proceed according to planned courses of action than when each individual adopts a unique line of action, according to his will and intelligence.

(ix) It fosters inter-departmental co-operation:

A major planning decision, usually involves a number of departments of the enterprise like production, marketing, finance, personnel, accounting, etc. Many planning decisions, in fact, cut across departmental boundaries; and foster inter-departmental co-operation during the process of the implementation of such decisions.

LIMITATIONS OF PLANNING

Under this category of the limitations of planning, only one limitation of planning is placed viz., the limitation of forecasting. This limitation of forecasting is considered as the fundamental (or basic) limitation; in as much as, no amount of planning is possible without involving some minimum element of forecasting; and till-do-date no hard and fast system of forecasting future events and conditions is able to develop.

As a result, the fate of planning depends on the accuracy of forecasting; which is still a matter of guess-work howsoever rational or scientific. In fact, some of the best laid down plans might collapse in the face of unprecedented changes taking place in future conditions only to the ill-luck of management.

This fundamental limitation of planning (based on forecasting) assumes paramount significance; in cases where the socio-economic environment is changing quite fast. Under such circumstances planning become a mere formality; just providing a psychological satisfaction to management of having done planning.

It is, in fact, this limitation of planning which, among other factors, might have induced scholars to come forward and recommends a situational (or contingency) approach to managing – ruling out any need for advance planning.

Some of the other important limitations of planning might be as follows:

(i) Egoistic planning:

Many-a-times, there is observed a tendency on the part of the so-called big bosses of an enterprise, to undertake planning of a type which would just add to their prestige or status in the organization without, in any substantial manner, contributing to the enterprises goals.

Such egoistic planning, this way, becomes a great limitation of planning, as despite the expenditure of all efforts and resources incurred during the formulation process; such planning only raises false hopes of realization but producing no significant results.

(ii) Organizational inflexibilities**:**

In many enterprises, the rigid (or tight) rules, policies or procedures of the organisation might come in the way of the successful implementation of some progressive piece of plan. To ensure the success of a good number of plans, it is necessary that the management must frequently review its internal functioning process and modify the same in view of the current planning requirements. Many-a-times, a re-orientation of organisational functioning is not possible, due to technical, financial or certain other problems. Under such conditions of rigidity, planning is only a half-hearted success.

(iii) Wastage of resources:

Planning involves an expenditure of time, money, efforts and resources of the enterprise; during the stages of plan implementation and its execution. It is, in fact, a time-consuming, a money- consuming and a mind-consuming process.

One would not mind the expenditure of the above resources; if the plan is a success. However, whenever there is a plan-failure or only a limited success is generated by a plan; expenditure of precious organizational resources really pinches as it amounts to a sheer wastage.

(iv) Imparting a false sense of satisfaction:

Plans, quite often, impart a false sense of satisfaction to managers, subordinates and operators of an enterprise; who might think that the planned objectives and the planned courses of action are, perhaps, the 'best'. They are reluctant to think in better terms. Many-a-times, people in the organization behave like a fog in the well-unable to see beyond the horizons of planning. In fact, they never try to rise above the plans.

(v) External constraints:

Some of the external constraints like governmental regulations in certain business matters or the upper hand of labour unions over management on issues concerning workers and their economic interests might become a severe limitation of planning. Management, under the pressure of such constraints, might not be able to think freely and undertake 'best conceived of planning for the enterprise.

(vi) Unreliable and inadequate background information:

Plans are as sound and fruitful as the data on which thee are based. Sometimes, the data collected for the plan might not be very reliable. At some other times, background data for planning might be too inadequate to provide a complete base for plan formulation.

These limitations of data might be due to financial problems or the pressure of time or certain other causes; but there is no doubt that this unreliability or inadequacy of data is a great hindrance, in the way of successful planning.

(vii) Unsuitability in emergency situations:

Planning is a useful management efficiency device; but only in the normal course of functioning of the enterprise. Planning is not suitable in emergency situations as occasioned by war, civil disturbances or other unusual economic or social disorders; where 'spot' decisions are necessitated to take care of the environmental factors. Planning, as is too common to understand, takes its own time in setting objectives and selecting best alternatives; which renders itself wholly unsuitable for adoption in extra-ordinary business situations.

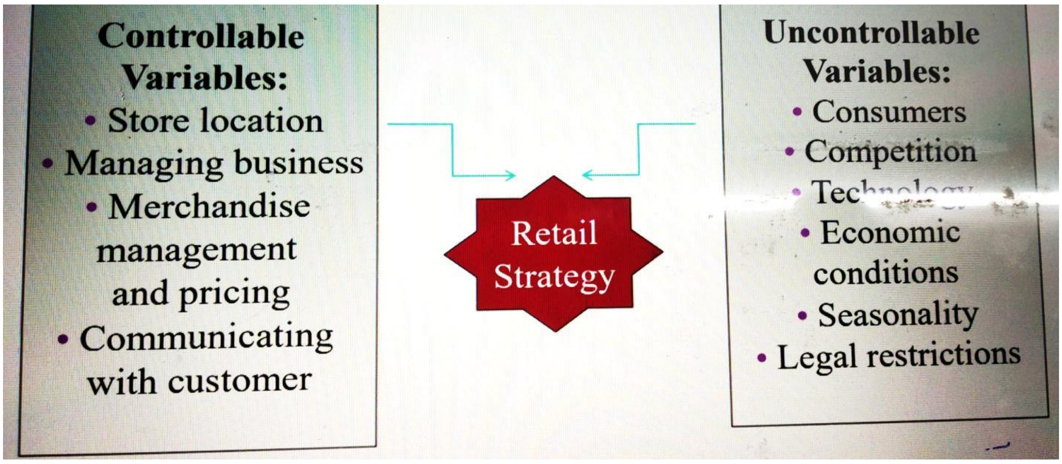
Strategy is a plan of action to achieve short, middle and long term desired goals.

There are generally three types of strategies in business. The corporate strategy defines the strategic goals of the overall company. The second type of strategy, the business strategy, establishes the strategic goals for a business unit. The functional strategies are about the strategic goals to achieve the business goals, and to keep developing the functional area itself.

Goals are important for organizations to determine the future direction of a company. A good strategy always stems from a thorough analysis of the company's position in the market. This is where a company's strengths and weaknesses, as well as opportunities and threats are incorporated.

3.1.1 MEANING OF STRATEGIC PLANNING IN RETAILING

Strategic planning is an organization's process of defining its strategy, or direction, and making decisions on allocating its resources to pursue this strategy, including its capital and people. Various business analysis techniques can be used in strategic planning, including SWOT analysis (Strengths, Weaknesses, Opportunities, and Threats) and PEST analysis (Political, Economic, Social, and Technological analysis) or STEER analysis involving Socio-cultural, Technological, Economic, Ecological, and Regulatory factors and EPISTELS (Environment, Political, Informatic, Social, Technological, Economic, Legal and Spiritual). No discussion of strategic planning can ignore the controllable and uncontrollable factors that are relevant in the success and possible failure of the retail business.



Retail strategy is part of a strategic marketing plan that attracts or reaches consumers directly. It includes product pricing/discounts, commission structure, promotional schemes, product performance demonstration, and commission structure for retailers. retail strategy is the overall plan or framework of

action that guides a retailer. Ideally, it will be at least one year in duration and outline the mission, goals, consumer market, overall and specific activities, and control mechanisms of the retailer. One of the examples of the retail strategy can be placement of the product at the retail channel. Many times when we go to a retail store, just before the billing counter, we see products like gums, chocolates and other products which can just be picked while the customer is waiting at the billing counter.
This is a part of retail strategy and helps both the brands as well as the retail chain by driving sales even at the end of the journey.

- **Strategic Planning Process**

The strategic planning process requires considerable thought and planning on the part of a company's upper-level management. Before settling on a plan of action and then determining how to strategically implement it, executives may consider many possible options. In the end, a company's management will, hopefully, settle on a strategy that is most likely to produce positive results (usually defined as improving the company's bottom line) and that can be executed in a cost-efficient manner with a high likelihood of success, while avoiding undue financial risk.
The development and execution of strategic planning are typically viewed as consisting of being performed in three critical steps:

1. Strategy Formulation

In the process of formulating a strategy, a company will first assess its current situation by performing an internal and external audit. The purpose of this is to help identify the organization's strengths and weaknesses, as well as opportunities and threats (SWOT Analysis). As a result of the analysis, managers decide on which plans or markets they should focus on or abandon, how to best allocate the company's resources, and whether to take actions such as expanding operations through a joint venture or merger.
Business strategies have long-term effects on organizational success. Only upper management executives are usually authorized to assign the resources necessary for their implementation.

2. Strategy Implementation

After a strategy is formulated, the company needs to establish specific targets or goals related to putting the strategy into action, and allocate resources for the strategy's execution. The success of the implementation stage is often determined by how good a job upper management does in regard to clearly communicating the chosen strategy throughout the company and getting all of its employees to "buy into" the desire to put the strategy into action.

Effective strategy implementation involves developing a solid structure, or framework, for implementing the strategy, maximizing the utilization of relevant resources, and redirecting marketing efforts in line with the strategy's goals and objectives.

3. Strategy Evaluation

Any savvy business person knows that success today does not guarantee success tomorrow. As such, it is important for managers to evaluate the performance of a chosen strategy after the implementation phase.

Strategy evaluation involves three crucial activities: reviewing the internal and external factors affecting the implementation of the strategy, measuring performance, and taking corrective steps to make the strategy more effective. For example, after implementing a strategy to improve customer service, a company may discover that it needs to adopt a new customer relationship management (CRM) software program in order to attain the desired improvements in customer relations.

All three steps in strategic planning occur within three hierarchical levels: upper management, middle management, and operational levels. Thus, it is imperative to foster communication and interaction among employees and managers at all levels, so as to help the firm to operate as a more functional and effective team.

- **Benefits of Strategic Planning**

The volatility of the business environment causes many firms to adopt reactive strategies rather than proactive ones. However, reactive strategies are typically only viable for the short-term, even though they may require spending a significant amount of resources and time to execute. Strategic planning helps firms prepare proactively and address issues with a more long-term view. They enable a company to initiate influence instead of just responding to situations.

Among the primary benefits derived from strategic planning are the following:

1. Helps formulate better strategies using a logical, systematic approach

This is often the most important benefit. Some studies show that the strategic planning process itself makes a significant contribution to improving a company's overall performance, regardless of the success of a specific strategy.

2. Enhanced communication between employers and employees

Communication is crucial to the success of the strategic planning process. It is initiated through participation and dialogue among the managers and employees, which shows their commitment to achieving organizational goals.

Strategic planning also helps managers and employees show commitment to the organization's goals. This is because they know what the company is doing and the reasons behind it. Strategic planning makes organizational goals and objectives real, and employees can more readily understand the relationship between their performance, the company's success, and compensation. As a result, both employees and managers tend to become more innovative and creative, which fosters further growth of the company.

3. Empowers individuals working in the organization

The increased dialogue and communication across all stages of the process strengthens employees' sense of effectiveness and importance in the company's overall success. For this reason, it is important for companies to decentralize the strategic planning process by involving lower-level managers and employees throughout the organization. A good example is that of the Walt Disney Co., which dissolved its separate strategic planning department, in favor of assigning the planning roles to individual Disney business divisions.

3.1.2 CORE OF A RETAIL STRATEGY

STORE LOCATION
MERCHANDISING
PRICING
MARKETING

- **Store Location**

First of all, the Store location is very important; the frequency of your sale depends on the store location, especially when your business focuses on offline sales.

Your store location also increases the connectivity and network if your store is in the primary place, you can convert sales through reference and other sources as well.

- **Merchandising**

If you are selling a product then you have to have all the options for your customer. A customer can come for anything you can help them for the needs of the products.

In these ways you can easily manipulate the market**. The merchandising strategy** should match the sales strategy.

Many times, the business strategy is more based on long-term salesperson relationships or competitive delivery issues than thinking about an organization's good strategy, which is written and communicated throughout the organization.

- **Pricing**

Pricing is one of the important factors in retail. It depends more on your advertising, promotion, communication, sales, and anything else. The retailer has to provide the right price to the customers

- **Marketing**

There is also a big factor in the marketing retail strategy. The market in which the retail organization chooses to compete is determined.

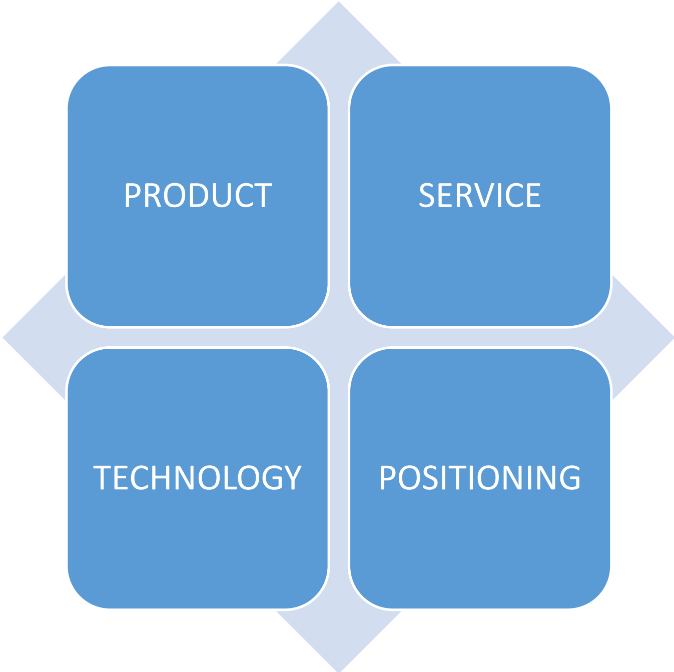
In the end, the result should be evaluated to measure and evaluate that the strategy is working and any necessary changes should be effective.

The retail strategy is to determine the retailer's performance as per the consumer requirement. If we understand the concept of retail strategy, then we can establish a business strategy in a small shop.

3.1.3 CRUCIAL ELEMENTS FOR PLANNING A RETAIL STRATEGY

1) Target Market: - The segment of the market towards which the retailer proposes to focus its resources and retail mix.
2) Retail Format: - The nature of the operations of the retailers.
3) Sustainable Competitive Advantage:- An edge over the competition.

3.2 STRATEGIC RETAIL MODEL



Product:- The first constituent, product, originates from the necessity of having a product as a central role of the business, as the product is the ingredient in which the entire company should operate around However, by taking a strategic perspective of the product constituent there is no need to have a specific chosen product in order to adapt the strategic retail model. Instead, the product constituent is anchored in the understanding of creating experiences around the product. By including product in the strategic retail model, a discussion regarding the understanding of creating a store environment that can contribute to a higher level of consumer satisfaction and purchase tendency.

Service:- The second constituent service originates from the criticism of the marketing mix where the service perspective as a differentiation factor for businesses was not included. Some marketers argues that as a retailer, providing services is of equal importance as providing products. Similarly to the product constituent is the importance of understanding the creation of experiences and expectations through service solutions This further addresses two interesting aspects. The first one is loyalty and whether that should be a driving force for retailers in todays environment Secondly, by including the service constituent in the strategic retail model, the importance of creating excellent service experiences for online and offline retailers can be taken into consideration.

Positioning:- The third constituent, positioning, has been redefined from the element place in the marketing mix. It could be questioned whether it is a necessity to have a multichannel perspective in the company activities while having specific knowledge of the chosen target group The positioning constituent also addresses online and offline positioning how clusters emerge and how the future store platform will appear. By including positioning in the strategic retail model, the understanding of choosing appropriate sales channels in relation to the target group can be discussed.

Technology :-The fourth constituent technology, originates from the digital revolution and the understanding of new technologies and devices for today´s consumers The technology constituent is important in order to understand the development of technology in retail. The constituent also consists of understanding the practical implementation of technology and the possibilities and limitations regarding online and offline retailing. By including technology in the strategic retail model, the understanding of how technological solutions can contribute to create excellent consumer experiences can be discussed.

3.3 STRATEGIC RETAILING AND ITS ELEMENTS

3.3.1 CHARACTERSTICS OF STRATEGIC PLANNING IN RETAILING

1. Process of Questioning**:**

It answers questions of a retailers like where we are and where we want to go, what we are and what we should be so that threats and opportunities of environment can be exploited, given the organization strengths and weakness.

2. Time Horizon**:**

It aims at long-term planning, keeping in view the present and future environmental opportunities. It aids the organizations analyze their strengths and weaknesses and adapt to the environment. Managers should be farsighted to make strategic planning meaningful.

3. Pervasive Process:

It is done for all organizations, at all levels; nevertheless, it involves top executives more than middle or lower-level managers since top executives envision the future better than others.

4. Focus of Attention:

It focuses organization’s strengths and resources on important and high-priority activities rather than routine and day-to-day activities. It reallocates resources from non-priority to priority sectors.

5. Continuous Process:

Strategic planning is a continuous process that enables organizations to adapt to the ever-changing, dynamic environment.

6. Co-Ordination:

It coordinates organizations internal environment with the external environment, financial resources with non- financial resources and short-term plans with long- term plans.

3.3.2 STRATEGIC PLANNING IN RETAILING PROCESS:-

The planning process requires a thorough look into the company's motives to determine what strategies to implement. While it may be time-consuming, drafting a detailed plan is essential for successful execution. Retailers can begin by following seven general steps-

1. Set goals:-Businesses need to set specific short and long-term goals. Instead of setting a general objective to increase sales, management should set benchmarks regarding which product performances need to improve, specific revenue goals, and ideal profit margins for each item. Companies can further break down their goals into two categories-

- Internal Objectives

Retail management should pull reports and set practical sales and revenue goals based on product performance. Organizations can set clear monthly, quarterly, and annual targets to motivate employees and keep them focused on boosting sales.

- External Objectives

External goals refer to a retailer's overall performance according to customers and their experience. This can include customer service, retention, loyalty, and product pricing. Companies should aim to create a personalized experience that attracts and generates returning customers.

2. Analyze the Market:-Once the company's objectives are clearly defined, it is time to analyze the current market. Research can expose competitors' strategies, performance, and weaknesses, as well as consumer expectations. This allows companies to develop a plan of action that fulfills customer needs and stands apart from the competition.

Research can also define any risks and opportunities the company may be exposed to and how to respond. Retailers can anticipate upcoming events through risk management and planning, so they are not caught off-guard. Through this process, businesses can analyze their own strengths and weaknesses, allowing them to improve the necessary areas. This may include financial planning, resource allocation, and staffing.

3. Analyze Customer Behavior

If a company does not understand their target audience, they cannot correctly launch and promote products to attract customers. Therefore, retailers need to understand what consumers expect from products and brands.

First, companies must understand what types of demographics are in the market for their products. Then they can innovate customized experiences and brand images to attract audiences. However, retailers should continuously monitor customer feedback and preference to avoid becoming irrelevant or stagnant.

4. Outline Retail Strategies

After determining target demographics, marketing teams can begin developing effective promotions for their products and company identity. The retailer must establish a positive image that not only attracts customers but accurately illustrates what they can expect as well. Another main objective of implementing a retail strategy is to remain competitive. Businesses can achieve this through several methods, such as product pricing, variety, and quality. Providing a unique experience that customers cannot receive anywhere else is a significant advantage. However, businesses must stay up to date with current market trends as they are ever-evolving. Without access to current metrics, marketing strategies can become ineffective.

5. Make Short-Term Plans

Based on the company's short-term goals, management needs to outline a step-by-step plan to achieve key metrics. For example, if an organization wants to improve its sales during the Christmas season, it can focus on targeted marketing tactics and floor design to increase traffic flow. This can include running digital campaigns, commercials, and exclusive deals. Management can also redesign the storefront to attract shoppers passing by.

However, retailers should begin the planning process months in advance to ensure all resources are properly allocated. Otherwise, businesses may lack sufficient funds to supplement plans due to poor organization.

6. Implement Strategies

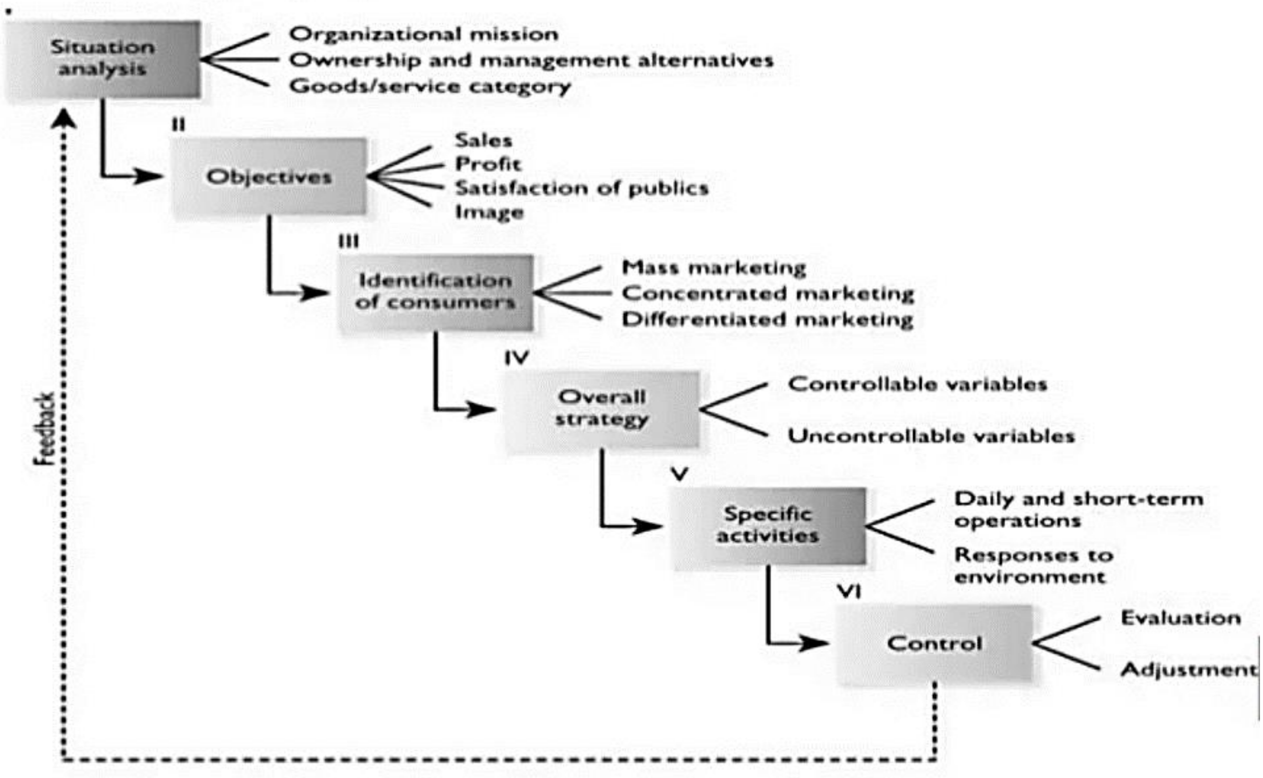
Once the market and customers have been analyzed, goals have been set, and plans are outlined, companies can begin implementing their strategies.

Management should understand that some methods might require additional changes to the business model, staffing, accounting, or supply chain. These alterations may be met with employee reluctance, as they may have to handle more responsibilities.

However, with successful planning, staff can ease into their new roles to avoid overwhelming team members. Companies should consider offering incentives and bonuses if the employees adapt well and the strategies improve work performance.

7. Analyze the Strategy Performance

Once the methods are implemented, organizations must continuously monitor performance to ensure improvements are consistent. The regulation also helps identify any errors within a process so management can quickly reconcile any damages. Companies can also take note of the strengths and weaknesses to streamline future planning.



3.3.3 IMPORTANCE OF STRATEGIC RETAIL PLANNING

1.Financial Benefits

Retailing Firms that make strategic plans have better sales, lower costs, higher EPS (earnings per share) and higher profits. Firms have financial benefits if they make strategic plans.

2. Guide to Organizational Activities**:**

Strategic planning guides members towards organizational goals. It unifies organizational activities and efforts towards the long-terms goals. It guides members to become what they want to become and do what they want to do.

3. Competitive Advantage: Competitive advantage can help the retailing firms in forming their retail-mix.

In the world of globalization, firms which have competitive advantage (capacity to deal with competitive forces) capture the market and excel in financial performance. This is possible if they foresee the future; future can be predicted through strategic planning. It enables managers to anticipate problems before they arise and solve them before they become worse.

4. Minimizes Risk:

Strategic planning provides information to assess risk and frame strategies to minimise risk and invest in safe business opportunities. Chances of making mistakes and choosing wrong objectives and strategies, thus, get reduced.

5. Beneficial for Companies with Long Gestation Gap:

The time gap between investment decisions and income generation from those investments is called gestation period. During this period, changes in technological or political forces can disrupt implementation of decisions and plans may, therefore, fail. Strategic planning discounts future and enables managers to face threats and opportunities.

6. Promotes Motivation and Innovation:

Strategic planning involves managers at top levels. They are not only committed to objectives and strategies but also think of new ideas for implementation of strategies. This promotes motivation and innovation.

7. Optimum Utilization of Resources:

Strategic planning makes best use of resources to achieve maximum output.

Strategic Planning in management is essential but there are practical limitations to its use. The reasons why people fall in strategic planning emphasize the practical difficulties encountered in planning. A number of limits within which planning has to operate make this undertaking difficult.

3.3.4 CONSTRAINTS IN STRATEGIC RETAIL PLANNING

(1) Problems of Change:

The factor works more as limiting factor in the light of changes in future conditions. In a complex and rapidly changing environment, the succession of new problems is often magnified by implications that make planning most difficult. The problem of change is more complex in long-range planning.

Present conditions tend to weigh heavily in planning, and by overshadowing future needs, may sometimes results in error of judgment. Such factors as changing technology, consumer tastes and desires, business conditions, and many others change rapidly and often unpredictably. In such conditions, planning activities taken in one period may not be relevant for another period because the conditions in two periods are quite different.

(2) Failure of People:

There are many reasons why people fail in planning, both at the formulation level as well as implementation level. Some of the major failures are lack of commitment to planning, failure to develop, sound strategies, lack of clear and meaningful objectives, tendency to overlook planning premises, failure to see the scope of the plan, failure to see planning as a rational approach, excessive reliance on the past experience, failure to use the principles of limiting factors, lack of top management support lack of delegation of authority, lack of adequate control techniques, and resistance to change.

These factors are responsible for either inadequate planning or wrong planning in the organisations concerned.

(3) Lack of Accurate Information:

The first basic limitation of strategic planning is the lack of accurate information and facts relating to future. Planning concerns future activity and its quality will be determined by the quality of forecast of future events. As no manager can predict completely and accurately the events of future, the planning may pose problems in operation.

This problem is further, increased by lack of formulating accurate premises. Many times, managers may not be aware about the various conditions within which they have to formulate their planning activities.

(4) Inflexibilities:

Manager while going through the strategic planning process have to work in a set of given variables. These variables may be more in terms of organisational or external. These often provide considerably less flexibility in planning action.

(a) Internal:

Major internal inflexibilities that may limit planning are related to the psychology. Organizational policies and procedures, and long-term capital investment. The first internal inflexibility is in the form of human psychology in that most of the people have regard for the present rather than for future. The present is not only more certain than future, it is also more desirable, and more real.

Thus, resistance to change is a basic factor which works against planning because planning often depends on the changes. People may have feelings that if planning is soft-pedalled, the changes and the possible danger of future will be minimised. For them, planning tends to accelerate change and unrest.

Second type of internal inflexibility emerges because of organizational policies and procedures once these are established, they are difficult to change. Though these policies, procedures, and, rules are meant to facilitate managerial functions by, providing guidelines, they often are too numerous and exacting that they leave very little scope for managerial initiative and flexibility.

Since managers have to plan for future which is not static but changing, they often find themselves in great constraints. Such problems are more common in bureaucratic organizations where rules and procedures are the matters of prime concerns.

Third type of internal inflexibility comes because of long- term capital investment. Long-term planning is not a process of making future decisions, but a means of reflecting the future in today's decisions. If the organization has taken a long-term investment, it is committed by that and future actions have to be taking in the light of the investment. Thus managerial planning is limited to that extent.

(b) External:

Beside the internal inflexibilities, managers are confronted with many external inflexibilities and they do not have control over these. These factors may be social, technological, legal, labour union, geographically and economic. The managers have to formulate their plans keeping in view the demand of these factors. Thus their scope of action is limited making planning in effective in many cases.

(5) Time and Cost:

While going through the strategic planning process managers should also take into account both time and cost factors. The various steps of planning may go as far as possible because there is no limit of precision in planning tools. But planning suffers because of time and cost factors.

Time is a limiting factor for every manager in the organization on, and if they are busy in preparing elaborate reports and instructions beyond certain level, they are risking their effectiveness. Excessive time spent on securing information and trying to fit all of it into a compact plans is dysfunctional in the organization.

(6) Rigidity:

Often people feel that planning provides rigidity in managerial action. Many types of internal inflexibilities, may be results of planning itself. The planning stifles employee initiative and forces managers into rigid or straitjacket mode of executing their work. In fact, rigidity may make managerial work more difficult than it need be. This may result in it delay in work performance, lack of initiative, and lack of adjustment with changing environment.

Many people feel that planning is limited in value because best results can be obtained by a muddling through types of operation in which each situation is tackled when and if it appears pertinent to the immediate problem. Though this factor of rigidity of planning is limiting factor but without planning, it is really difficult to operate particularly in large organizations.

The planning also involves cost on the part of the organization. The various factors analysed above contribute to the limitations of strategic planning, either making planning ineffective or making lesser degree of planned work.

3.4 CASE STUDY

WALMART

Walmart is the largest retail store in the world with over 11,527 stores across 28 countries. Currently, the firm faces stiff competition in the market, especially in the online retail market. The objective of revising its online marketing strategy will shorten the time it takes to deliver products to customers once they make their purchase. The new strategy will promote efficiency in the firm and improve customer satisfaction. It will also strengthen the firm's brand in the online market.

The first strategy is through its retail stores. The firm has not only located its stores conveniently but also organized its floor plan to motivate its clients to make purchases.

The second channel that Walmart uses to reach to its customers is through e-commerce. The firm has a number of vans to facilitate delivery of these products to their clients in various locations once their purchases have been approved. It uses the large trucks to distribute various products to its stores all over the country.

3.5 CHECK YOUR PROGRESS

1. The first step in retail strategy development is:-

a. situation analysis

b. financial review

c. goal articulation

d. store positioning

2. Which is not an element for planning a retail strategy:-

a. target market

b. retail operations

c. competitors

d. government

3. Which is an uncontrollable factor affecting strategic retail planning:-

a. store location

b. legal restrictions

c. pricing

d. communicating with customers

4. Retail strategy plan is usually of:-

a. one year

b. 6 months

c. 5 years

d. 10 years

5. The process of developing and maintaining a strategic fit between the organization's objective and capabilities and its changing opportunities for market is:-

a. strategic planning

b. strategic control

c. strategic networking

d. functional development

3.6 SUMMARY

Strategic retail planning is foremost for defining business objectives and maintaining a foundation in a competitive market. Without a comprehensive strategic plan, retailers can exhaust time and resources on fruitless marketing tactics. A detailed retail plan ensures that employees are working in unison to provide the best service, products, and experience, boosting company revenue.

3.7 KEYWORDS

- **Strategic planning**: - It is a formal process firms undergo to develop a plan for how best to compete, given the business environment, the firm's own capabilities relative to the needs of the customer and the anticipated actions/reactions of competitors.
- **Competitive Advantage: -** The ability to transform a distinctive competence i product of service outcome (lower price, better quality, better service, quicker response time, etc.) that makes your product or service more attractive to the customer than yo nto a ur competitors' product or service. A sustainable competitive is not easy for your competitors to duplicate or imitate in the short run.
- **Controllable Factors: -** Factors that are within the limits of a retailer and are flexible in nature. Some of these can be store location, merchandise management, merchandise pricing etc.
- **Uncontrollable Factors: -** Factors which cannot be controlled by a retailer and affects externally becomes the uncontrollable factors. These can be consumers, competitors, seasonality etc.

3.8 SELF-ASSESSMENT TEST

1. Describe retail strategic planning and why is it so important for a retailer.
2. Explain the model of strategic retail planning.
3. Does strategic planning becomes unimportant as the uncertainty the retailer comes across increases.
4. Explain the levels at which a retail organisation's strategy is developed.
4. Discuss the retail strategy planning process in detail.
5. Describe the growth strategy used by the retailers to expand.

3.9 ANSWERSTO CHECK YOUR PROGRESS

1. **C**
2. **D**
3. **B**
4. **A**
5. **A**

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Subject: Retail Management	
Course code: BC 606	Author: Dr. Rajat Singla
Lesson no. :04	Vetter: Prof. Rajiv Kumar
STORE LOCATION	

4.0 LEARNING OBJECTIVES

The fundamental objectives of this chapter are as follows:-

1. To demonstrate the importance of retail location for retailers
2. To describe the essentials of good retail store location
3. To scrutinize the individual controllable and uncontrollable factors of a retail strategy

4. To present location techniques as a medium to evaluate store location

4.1 INTRODUCTION

"Location, location, location" is a mantra for retail success. Store location is a retailer's most costly and long-term marketing-mix decision. Unlike a bad pricing or promotional decision, a poor store location adversely affects retailer performance for several years. We know that retailers prefer to locate close to consumers, but doing so exposes them to competition from other retailers that also want to be close to consumers. From the retailer's point-of-view, proximity to consumers means proximity to other stores. Location is the most important ingredient for any business that relies on customers. It is also one of the most difficult to plan for completely. Location decisions can be complex, costs can be quite high, there is often little flexibility once a location has been chosen and the attributes of location have a strong impact on a retailer's overall strategy. In India, most retailers prefer to own the property rather than avail of the desired property through lease or rental. This makes the location decision even more critical. Choosing the wrong site can lead to poor results and in some cases insolvency and closure. Retail store location is also an important factor for the marketing team to consider while setting retail marketing strategy. Here are some rationale −

- Business location is a unique factor which the competitors cannot imitate. Hence, it can give a strong competitive advantage.
- Selection of retail location is a long-term decision.
- It requires long-term capital investment.
- Good location is the key element for attracting customers to the outlet.
- A well-located store makes supply and distribution easier.
- Locations can help to change customers' buying habits.

Location decisions are complex. Costs can be quite high, there is little flexibility once a site is chosen, and location attributes have a big impact on a strategy. One of the oldest retailing adages is that "location, location, location" is the major factor leading to a firm's success or failure. A good location may be substantial enough to allow a retailer to succeed even if its strategy mix is mediocre. A hospital gift shop may do well, although its assortment is limited, its prices are high, and it does not advertise. On the other hand, a poor location may be such a liability that even superior retailers cannot overcome it. A mom-and-pop store may do poorly if it is across the street from a category-killer store; although the small firm features personal service, it cannot match the selection and prices. At a different site, however, it might prosper.

One of the most notable characteristics of the retail sector is that it is highly location sensitive. Due to the nature of the economic activities carried out in retail establishments, they are likely to be found in or close to regional centers. The transactions within the retail sector often require face-to-face interactions between buyers and sellers. In most cases, consumption and production of retail services take place in very close proximity. The choice of a location requires extensive decision making due to the number of criteria considered, including population size and traits, the competition, transportation access, parking The choice of a location requires extensive decision making due to the number of criteria considered, including population size and traits, the competition, transportation access, parking availability, the nature of nearby stores, property costs, the length of the agreement, legal restrictions, and other factors. A store location typically necessitates a sizable investment and a long-term commitment. Even a retailer that minimizes its investment by leasing (rather than owning a building and land) can incur large costs. Besides lease payments, the firm must spend money on lighting, fixtures, a storefront, and so on. Although leases of less than 5 years are common in less desirable retailing locations, leases in good shopping centers or shopping districts are often 5 to 10 years or more. Store location affects long- and short-run planning. In the long run, the choice of location influences the overall strategy. A retailer must be at a site that is consistent with its mission, goals, and target market for an extended time. It also must regularly study and monitor the status of the location as to population trends, the distances people travel to the store, and competitors' entry and exit—and adapt accordingly. In the short run, a location has an impact on specific elements of a strategy mix. A retailer in a downtown area with many office buildings may have little pedestrian traffic on weekends.

A retailer has to take the location decision, basing on three aspects:

1. Selection of a city

2. Selection of an area or type of location within a city
3. Identification of a specific site

4.2 CONCEPTS OF STORE LOCATION

4.2.1 ASPECTS OF RETAIL STORE LOCATION

The aspects which influence these decisions are discussed below:

1. Selection of a City

The following factors play a significant role in the selection of a particular city for starting or relocating an existing retail business:

- Size of the city's trading area: A city's trading area is the geographic region from which customers come to the city for shopping. A city's trading area would comprise its suburbs as well as neighboring cities and towns. Cities like Mumbai and Delhi have a large trading area as they draw customers from far off cities and towns.
- Population of population growth in the trading area: The larger the population of the trading area, the greater the potential of the city as a shopping location. A high growth n population in the trading area can also increase the retail potential.
- Total purchasing power and its distribution: The retail potential of a city also depends on the purchasing power of the customers and its distribution networks in its trading area. Cities with a large population of affluent and upper middle-class customers, can be an attractive location for stores, selling high-priced products such as designer men's wear. The fast growth in purchasing power and its distribution among a large base of middle class is contribution to a retailing boom around major cities in India.
- Total retail trade potential for different lines of trade: A city may become specialized in certain lines of trade and attract customers from other cities e.g. Moradabad has become an important retail location for brassware products while Mysore is famous for silk saris.
- Number, size and quality of competition: The retailer also considers the number, size and quality of competition before selecting a city.

- Development cost: The cost of land, rental value and other related cost.

2. Selection of an Area or Type of Location within a City

In the selection of a particular area or type of location within a city, evaluation of the following factors is required.

- Customer attraction power of a shopping district or a particular store: Major shopping centres like Chandni Chowk in Delhi, Colaba in Mumbai and Commercial Street in Bangalore attract customers from far off, while small shopping centres located in colonies attract customers from immediate neighborhood.
- Quantitative and qualitative nature of competitive stores: Retailers would like to evaluate the product lines carried by other sores, number of stores in the area, etc. before selecting the area.
- Availability of access routes: The area or shopping centre should provide easy access routes.
- Nature of zoning regulations: The retailer should also consider the zoning regulations in the city.
- Direction of spread of the city: The retailer should consider the direction in which the city is developing while selection the location.

3. Selection of a Specific Site

The choice of a specific site is particularly important. In central and secondary shopping centre, non-anchor sores depend on customers coming to the market and the traffic generated by anchor stores. The large stores in turn depend on attracting customers from the existing flow of traffic. Where sales depend on nearby settlements, selecting the trading area is even more important than picking the specific site.

4.2.2 TYPES OF RETAIL STORE LOCATION

There are primary three types of retail locations that can be considered depending on the nature of the business.

1) Isolated Store

An isolated store is a stand-alone retail outlet, which is either located on a highway or a street. It being a stand-alone store naturally it has no competition from adjacent stores selling same products or any other types of products which can share customer traffic.

The advantages can be listed as follows for such type of stores:

● There is no competition from any type of stores in its close proximity.

● Being the only store in an isolated area it has relatively low rental costs.

● The store has the flexibility in organizing interiors of the store as there is lesser space constraint.

● Isolated stores are good for selling one-stop shopping items like grocery and food items or convenience items. The retailer is able to make the most of the available space by keeping all the items that can go in a single purchase basket.

● The store due to its isolated location is able to attract the attention of road traffic due to higher visibility on account of its roadside location.

● The facilities can be modified to suit the need of the target consumers as well as that of the store due to lower space constraint issues.

● Parking is not a problem, as this was one of the main reasons for putting up the store in an isolated location.

● Cost reductions are possible due to low rentals thereby leading to lower prices.

2) Unplanned shopping areas

These are the locations of retail stores which have evolved over a long period of time and have multiple outlets in nearby proximities. These are further divided into:

a. Central business district (CBD) such as the downtown areas in major cities

b. Secondary business districts (SBD) on main or High Street

c. District neighborhood

Location which is on the street or on the motorway known as strip locations.

The advantages of having unplanned shopping areas are that there is very high pedestrian traffic during working hours and also because of my residential areas. This ensures a constant pull of customers.

Some of the strengths of are as follows:

● Easy access to public transport facilities;

● There are variety of stores in different formats and offering different positioning base for the same product category, like high price end to lower price end or highly fashionable to regular collection;

● There is usually good variety and range available;

● Wide range of prices are available within a given product category;

● Even wide range of services are available right from air travel booking to agencies offering tour packages, transport, hotel bookings, insurance and so on;

● There is a high concentration of pedestrian traffic – which is true for central locations like Dadar and Connaught Place.

The disadvantage of having unplanned shopping area is that there is a threat of shoplifting because of which high security is required. Also, it may cause inconvenience to other customers, and there are high chances of traffic blocking because of the unavailability of parking facilitiesew Cannought Place.

3) Planned shopping areas

The retail locations which are well planned according to the architecture and provide multiple out that are under the same roof are called as planned shopping areas. They have huge land spaces and the collection of major retail brands. Malls, Speciality, and Lifestyle centers are classified under planned shopping areas.

High visibility to customers and harmful of customers is a major advantage of planned shopping areas. But the disadvantages are that why security is required, and the cost of occupancy is also high.

The planned shopping centers have much important strength; some of them are as follows:

● Based on the long range plan the assortment offered by stores is almost complete covering all aspects of the range.

● It serves one stop family shopping experience.

● Supported by a strong suburban population.

● Stores have a very good co-operative attitude and there is sharing of common costs.

● The shopping centre has a unified and distinct image because of its well-co-ordinated look and feel.

● Due to complementary nature of the product range presented by the stores, each store is able to attract good walk-in traffic of consumers.

● There is good provision for parking due to proper planning.

● Access to highways and other main roads is made easy.

● Due to complete assortment of goods being available and other facilities such centres being preferred over city shopping.

4.2.3 ESSENTIAL OF GOOD STORE LOCATION:

Choosing the right education is crucial in terms of business, as stated above. As such, there are different rules which govern choosing of location for retail store depending on the nature of the business and the target audience.

However, the following are a few of the steps which can be applied by almost all the retailers in order to find the right retail location.

1) Market analysis:

The company has to analyze the market in terms of their product and industry along with the nature of competition and the presence of competition. The company also has to consider how old are there in the market and how many some other businesses are there in the current location.

They have to check and analyze the market to know how far is the competition been successful in satisfying the customers. The company also has to analyze how convenient is the location in terms of supply chain management and warehousing in order to make the products available on a daily basis.

2) Demographics of the market:

The demographics of locality is essential to be considered in order to choose the retail location. The age group of the customer, profession, Lifestyle, profession, religion income groups, etc.

3) Market potential evaluation:

The paying capacity of the population plays an important role in the evaluation of the potential of the market, along with the impact of the competition and the product estimation and demand. The retailer should also have the knowledge of regulations and laws of the country in which the store is being operated.

Other things such as communal festivals which have an impact on the demand should also be considered by the business such as Christmas.

4) Identification of alternatives:

Most of the times it so happens that the retailers in hurry of starting the business finalize a location which costs them a fortune within fact a similar location with similar business potential would've been available somewhere very close which was neglected or overlooked.

In such cases, the retailer should not carry on finalizing the retail location and should also go out for alternatives and evaluate that location with similar parameters as stated above.

5) Allocation of marketing budget:

A retail store should have a marketing budget depending on the cost of the location, which is in the third to build the brick and mortar place. The store which is occupying a prime location and has a good inflow of customers has indeed cost a fortune for the retailer.

In such cases, the marketing budget will be very less since the story is visible to most of the customers and passers-by. On the contrary, a store which is located away from the main street should use more marketing campaigns and spend on marketing collaterals in order to attract more customers to the store.

With the advent of social media marketing, the store has become even cheaper. People can advertise about their Store on Google with a very small budget and can ensure every I reach to potential customers not only across the neighborhood but also across other neighborhoods as well.

4.2.4 MEASUREMENT OF STORE LOCATION

Once the rigorous process of selecting the location is followed, and the retail outlet is opened on a selected location. It is very important to keep track of how good the location has turned out to be the business. Apart from this, the retailer should carry out a few assessments of locations:

1) Macro location evaluation

As the name suggests, this is the type of evaluation which is carried out to measure the success of retail location at National level and is conducted by the company when it wants to start the spelling of its product and open a retail business internationally.

Following are the few steps which are carried out to conduct the retail location assessment:

Detailed auditing of the market is carried out by analyzing the locations and the macro environment, which is abbreviated as PEST, which is Political, Economic, Social, and Technical and is also known as PEST analysis.

Other important factors such as the spending capacity of the custom nature of the competition and the location availability are defined at a minimum acceptable level, and the countries are right against each other.

2) Micro-location Evaluation

Many of the factors are analyzed and assessed at this level, such as:

Population – approximate number of people from the locality is taken into consideration. This number represents the people who shop at that particular retail store.

Store outlet – competing stores in the nearby vicinity are identified and the stores which reduce the attractiveness of the location and the stores which increase the attractiveness of the location.

Infrastructure – the accessibility of the story is energized with respect to potential customers.

Cost – the most important factor in the case of a retail store is the cost of development and operation. The performance of the retail business depends on the cost required to set up the retail store.

4.2.5 FACTORS AFFECTING STRATEGIC LOCATION:- These can be divided into 2 parts

MACRO

MICRO FACTORS

MACRO FACTORS: - These can be as follows:-

1. **Demographic Characteristics**

Demography is the study of population characteristics that are used to describe consumers. Retailers can obtain information about the consumer's age, gender, income, education, family characteristics, occupation, and many other items. These demographic variables may be used to select market segments, which become the target markets for the retailer. Demographics aid retailers in identifying and targeting potential customers in certain geographic locations. Retailers are able to track many consumer trends by analyzing changes in demographics. Demographics provide retailers with information to help locate and describe customers. Linking demographics to behavioral and lifestyle characteristics helps retailers find out exactly who their consumers are. Retailers who target certain specific demographics characteristics exist in enough abundance to justify locations in new countries or regions should make sure that those characteristics exist in enough abundance to justify locations in new countries or regions.

2. Economic Characteristics

Businesses operate in an economic environment and base many decisions on economic analysis. Economic factors such as a country's gross_domestic_product, current interest rates, employment rates, and general economic conditions affect how retailers in general perform financially. For example, employment rates can affect the quantity and quality of the labor pool available for retailers as well as influence the ability of customers to buy. Normally, growth in a country's gross domestic product indicates growth in retail sales and disposable income. Retailers want to locate in countries or regions that have steadily growing gross national products. As interest rate rise, the cost of carrying inventory on credit rises for retailers and the cost of purchasing durable goods rises for consumers. Countries that have projected significant increases in interest rates should be evaluated very carefully by retailers. Retailers will also be affected by a rise in employment rates; this lowers the supply of available workers to staff and support retail locations.

3. Cultural Characteristics

Cultural characteristics impact how consumers shop and what goods they purchased. The values, standards, and language that a person is exposed to while growing up are indicates of future consumption behavior. Consumers want to feel comfortable in the environment in which they shop. To accomplish this, retailers must understand the culture and language of their customers. In a bilingual area, a retailer may need to hire employees who are capable of speaking both of the languages spoken by the customers. Some retailers have found it useful to market to the cultural heritage of their consumers, while other retailers seek to market cross-culturally. Normally larger cultures are made of many distinct subcultures. Retailers need to be aware of the different aspects of culture that will affect the location decision. For example, greeting cards sold in the United States normally have verses on the inside, while greeting cards sold in Europe normally do not.

4. Demand

The demand for a retailer's goods and services will influence where the retailer will locate its stores. Not only must consumers want to purchase the goods, but they must have the ability or money to do so as well. Demand characteristics are a function of the population and the buying power of the population that the retailer is targeting. Population and income statistics are available for most countries and regions with developed economics. In developing countries the income data may be little more than an informed guess. These statistics allow the comparisons of population and a basic determination of who will be able to purchase the goods carried in the store. This is of utmost importance for retailers, whether they carry higher-priced goods such as durables, furniture, jewellery, and electronics or lower-priced goods-such as basic apparels or toys.

5. Competition

Levels of competitions vary by nation and region. In some areas, retailer will face much stiffer competition than in other areas. Normally, the more industrialized a nation is, the higher the level of competition that exists between its borders. One of the environmental influences on the success or failure of a retail establishment is how the retailer is able to handle the competitive advantages of its competition. A retailer must be knowledgeable concerning both direct and indirect competitors in the marketplace, what goods and services they provide, and their image in the mind of the consumer population. Sometimes a retailer may decide to go head to head with a competitor when the reasons are not entirely clear.

6. Infrastructure

Infrastructure characteristics deal with the basic framework that allows business to operate. Retailers require some form of channel to deliver the goods and services to their door. Depending on what type of transportation is involved, distribution relies heavily on the existing infrastructure of highways, roads, bridges, river ways, and railways. Legal infrastructures such as laws, regulations and court rulings and technical infrastructures such as level of computerization, communication systems, and electrical power availability also influence store location decisions. Distributions play a key role in the location decision especially for countries and regions. There is a significant variance in quantity and quality of infrastructures across countries. A retailer whose operation depends on reliable computerization and communications would not need to even consider a country or a region that did not meet those criteria. The legal environment is a part of the overall infrastructure a firm must consider. For example, many countries require non-native businesses to have a native partner before establishing retail locations. The legal requirements a retailer operates under in one country will not be the same for another country or region and may be different from state to state within the United States.

MICRO FACTORS

1. **Economic Factors**

   Economic characteristics have a significant impact on country and region selection. The impact on trade area is even greater. The local unemployment rate will affect the local labor pool and the amount of money that consumers have to purchase products. The most important economic characteristics for the retailer are per capita income and employment rates.

2. **Subculture**

Subculture have more of an impact on market and trade area selection than on country or region selection. One must normally be at the market or trade level in order to accurately gauge the location and characteristics of a subculture. An ethnic subculture creates market segments for goods ranging from food and cosmetics to clothing and entertainment. At the same time religion, language, and family structure create both opportunities and problems.

3. **Demand**

The economy of an area under consideration for location should provide a general indicator of the long —range retail opportunities present within an area. The number, type, trends, and stability of industries that might affect business in the market area need to consider. Employment rates, total retail sales, segment retail sales, household income, and household expenditures all provide information from which the economic stability of the area can be ascertained. The buying power index (BPI) indicates the relative ability of consumers to make purchases. The BPI for most metropolitan statistical areas (MSAs) in U.S. is published yearly by Sales and Marketing Management in their survey of buying power. The BPI for potential markets can be directly compared to help make a choice of market area.

4. **Market Potential**

Once the retail trade area has been identified and the relative segmenting variables applied, certain quantitative factors must be considered to decide if the area is suitable. These factors include the retail market potential of a retail trade area and the retails potential. Retail market potential is the total dollar sale that can be obtained by all stores selling a particular retail product, product line, or group of services within the retail trade area if everything was maximized. Therefore, retail sales potential is a part of retail market potential. A retail sales forecast is the specific estimate of sales volume that a retailer expects. Because the retailer is new in the area or because of the entry of a new competitor, the sales forecast may be less than the estimate of retail sales potential. There are two major determinants of the market potential for a trade area: the number of potential customers within the area and the amount of money consumers spend for the product or product line in question.

5. Sales Potential

An accurate appraisal of sales is important, because it will dictate the amount of inventory that will be purchased, the number of employees that will be needed, the dollars that can be spent for expenses, and the amount to debt capital the business can comfortably afford. To arrive at such a figure, one must consider.

- The competitive strengths in the market

- The amount of business that can be drawn from substitute products
- Management's own expertise

To assess the competitive strengths in the market, the retailer can start with an assessment of the total market potential. If the retailer assumes that the business will obtain at least average amount of sales being realized by the competitive business in the trade area, an estimate of the sales potential can be made. If there are five business (the new retail establishment makes six), each business might be expected to have one-sixth of the business available in the trade area. Although this approach may not seem as sound as that used in measuring market potential, it does provide an analysis of competitive strength, and the figure derived is usually conservative. This approach can be useful in particular situations.

6. Infrastructure

Infrastructure including roads and highways, distribution warehouses, communications facilities, and labour pool must be adequate for a country or region. The same is even truer for trade area analysis. The legal infrastructure can also impact the trade area selected for your store. State and local laws vary concerning advertising, zoning, and sign restrictions for retailers.

4.3 THE IMPORTANCE OF LOCATION TO RETAIL COMPANIES

The selection of retail store locations is one of the most significant decisions in retail marketing because in store-based retailing, good locations are key elements for attracting customers to the outlets and sometimes they can even compensate for an otherwise mediocre retail strategy mix. A good location, therefore, can lead to strong competitive advantages, because location is considered one of the elements of the retail marketing mix that is "unique" and thus cannot be imitated by competitors. Location decisions are highly complex because of the large number of factors that have to be considered, and the costs associated with, for example, opening new stores can be very high. Site selection is, therefore, a long-term decision that implies a long-term capital commitment. Once a retail site has been chosen, either for a retailer to build its own store or to sign a long-term retail contract, there is little flexibility, because this decision usually cannot be changed easily without high losses. Because of its fixed nature, location cannot be changed in the short-term contrary to other elements of the retail marketing mix such as price, customer service, product assortment or advertising. These latter factors can be altered if the environment (e.g. consumer behaviour, competition) changes The main attention in the context of retail location strategies usually focuses on the opening of new stores. However, location decisions relate to the entire physical structure of retail outlets and are thus more comprehensive. The main types of decisions are (1) the opening of new stores, (2) the extension of floor space of existing stores, (3) the relocation or movement of a store from one place to another within a particular town or area where a better site is available, (4) rationalisation decisions, e.g. the closure of individual stores, (5) repositioning of locations, e.g. altering store image by changing the name or appearance, (6) refurbishment such as improving or updating the physical environment of an existing outlet and (7) altering the product range and assortment ("remerchandising") to tailor the offer more closely to local customers. The opening of new stores comprises the most complex type of decision, because it is usually the starting point of activities in a specific geographic area.

4.4 TECHNIQUES TO EVALUATE STORE LOCATION

The appropriateness of a specific site is based on the retailer's strategy (retail formats, merchandise, pricing strategy, etc.) and is influenced by a substantial number of factors that need to be investigated.
In order to guide retail location decisions and to assess or forecast the potential sales or profitability of retail stores in a specific region, area or at a specific site, a number of techniques have been developed.

Managers' Experience

Location is a retail function that requires knowledge and expertise. In practice, managerial experience ("retail nose") plays an important role in assessing retail locations. For example, rules of thumb are often used as subjective and intuitive guidelines for site assessment. Such rules are developed from the knowledge of the company.

Location Evaluation Checklists

Checklists consist of a number of chosen variables (e.g. location factors) to be considered when evaluating retail locations. One of the first detailed checklist evaluation formats was developed by Nelson (1958). Companies select factors that they believe influence store performance. While some elements of such checklists are common to all types of retailers, each company is likely to have its own list with factors that reflect its particular strategy and situation

Analogue Method

The principle behind the analogue method is that new store sites are compared to existing ones that have many features in common with the new store (e.g. store size, merchandise or location characteristics). The likely turnover and profitability of the new store site are estimated on the basis of sales achieved and profits earned by similar stores in existing areas. Such comparisons can be done by extrapolating own store data or by comparing the new site with existing competing stores (e.g. stores at the prospective location).

Multivariate Statistical Techniques

Given the increasingly complex array of data available for location analysis, multivariate statistical techniques can be used to construct models that harness the predictive power of the available predictor variables for (new) store performance. Most important techniques are forms of multiple regression analysis, which predict store sales and estimate market potential or profit. Discriminant analysis can be used to predict category membership. Such sophisticated procedures can identify relationships between store sales and predictor variables such as population in the surrounding area, the spending power of the population, store accessibility, quality of transport links to sites, average distance to population or nearby competition. These techniques provide more objective and systematic insight into the impact and importance of location attributes, and thus they are useful for screening large numbers of locations. However, they require more data than do the simpler methods as well as a higher degree of technical expertise.

Spatial Interaction Models

Spatial interaction models are also referred to as “gravity models” because they are based on an analogy with the physical law of gravitation. They have evolved as a major stream of development in retail location theory. The basic principle of spatial interaction is that the aggregate movements of shoppers are positively related to the attractiveness of a store and negatively related to the distance from the store or other deterrence factors. Gravity models can be used to forecast store performance based on the simultaneous consideration of such factors as store size, store image, distance, population and distribution.

Knowledge-based Techniques

Knowledge-based techniques are the most recent models that have been developed to assess retail store locations. The most important techniques are expert systems or models developed based on artificial intelligence, such as neural networks or computer systems modelling the retail environment and shopper behaviour as "software agents" that simulate store performance at prospective locations. Such systems depend heavily on powerful computer capacities and immense data requirements and are still in the development phase.

CONCLUSION

Location decisions have a major impact on a retail outlet's success, as location is an important factor in consumers' store choice. The location decision also has a long-term impact as it is not very flexible. Thus, location decisions are of critical importance for retailers' competitive advantages. To guide and support retail site assessment, various location assessment techniques have become more and more sophisticated. Such improvements have been triggered largely by advances in computer and software technologies (e.g. artificial intelligence). It should be noted that retail location decisions consist not only of opening new stores, but that monitoring existing stores is of equal importance. This entails, for example, decisions concerning repositioning, relocation or closing outlets. This is important, as retail environments change rapidly (e.g. customer behaviour or competitive structure) and companies must respond in terms of location decisions. However, retail location decisions cannot be made without taking into account the retail environment in terms of the interests of towns/cities or residents. Establishing a retail store can, for example, influence shopping patterns, traffic and pedestrian flows or the retail structure of a town. A major concern of local communities is out-of-town vs. inner-city retail centres.

4.5 CHECK YOUR PROGRESS

1. **What is not easy to change in Retail Management?**

a.Promotion

b.Location

c.Price

d.Merchandise mix

2.**Which is not the basic reason of the importance of Retail Location?**

a. Customer convinence
b. Competitive advantage
c. Cost of investment
d. Light and ventiliation

3. **How difficult it is to change retail location frequently?**

a. extremely difficult

b. not difficult at all

c. absolutely easy

d. some what difficult

4. What do have to consider when choosing a location for your retail business?

a. all of the options

b. zoning rules

c. expenses, parking lot availability

d. being convenient where your customers are

5. **What factors influence retail store location?**

a. Micro factors

b. macro factors

c. both factors

d. none

4.6 SUMMARY

Store location is typically the most important consideration in a customer’s store choice where they want to shop. In general, location strategy affects demand differently all depending on the types of store the retailers are targeting. For example, convenience store is usually located closest to customers where they live or work at the convenient of customers to shop. Retailers with this type of store focusing on convenience products such as soft drink, drinking and mineral water, beers, cigarette, and snack food that consumers do not spend much effort to evaluate prior to their buying. The location success factor is having a large number of stores that can easily accessible by the customers. Store location is important as retailers can use to develop a sustainable competitive advantage, as competitors cannot easily copy. Retailers can change their pricing, merchandise assortments or retail formats and service in a relatively short period of time but not location because retailers usually have to make substantial investments to buy and develop real estate or need to commit long-term leases with developers or shop owners.

4.7 KEYWORDS

- **Store location: -** Store Locations means those owned or leased locations at which retailer maintains inventories for sale to its customers and at which no manufacturing activities occur.
- **Macro factors: -** macro-economic factors influences retailers as he has little control over.
- **Micro factors: -** The micro environment consists of the actors in the retailer's immediate achievement that affect its ability to serve its markets.
- **Types of store location: -** Store location can be of different types like solitary sites, unplanned store areas and planned store areas.

4.8 SELF ASSESSMENT TEST

1. Explain different types of store location.

2. What can be the different techniques to evaluate store location?

3. How store location is important for retail companies.

4. Explain the determinants to be considered while determining store location.

5. Explain the concept and need of trade area analysis. What does it constitute?

6. Discuss the factors instrumental in choosing a shopping centre.

7. What do you mean by Location Quotient? How does it help?

8. Evaluate metros as a location for major retail ventures.

9. "Developing the location plan requires a careful study of potential markets." Why is this So?

10. Compare and contrast downtown areas and malls as potential retail locations.

11. Why for some retail stores, quantity of traffic is most important?

4.9 ANSWERS TO CHECK YOUR PROGRESS

1. **B**
2. **D**
3. **A**
4. **A**
5. **C**

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Subject: Retail Management	
Course code: BC 606	Author: Dr. Rajat Singla
Lesson no. :05	Vetter: Prof. Rajiv Kumar
MATERIAL HANDLING	

5.0 LEARNING OBJECTIVES

The fundamental objectives of this chapter are as follows:-

1. To understand the basic concepts of material handling.

2. To express the principles of material handling.
3. To scrutinize the types of material handling.
4. To present selection of material handling equipment.

5.1 INTRODUCTION

Raw materials form a critical part of manufacturing as well as service organization. In any organization, a considerable amount of material handling is done in one form or the other. This movement is either done manually or through an automated process. Throughout material, handling processes significant safety and health; challenges are presented to workers as well as management. Therefore, manual material handing is of prime concern for health and safety professional, and they must determine practical ways of reducing health risk to the workers.

Material handling is an activity that involves movement of material or products within an organization from one place to another place or the flow of material or products to vehicles or from vehicles. The activities are usually confined within the boundaries of an organization. The movement of material from one organization to another is categorized as transportation work, which is not part of material handling activities. Material Handling involves the movement of material, manually or mechanically in batches or one item at a time within the plant. The movement may be horizontal, vertical or combination of horizontal or vertical. Material handling is the movement, storage, control and protection of materials, goods and products throughout the process of manufacturing, distribution, consumption and disposal. The focus is on the methods, mechanical equipment, systems and related controls used to achieve these functions. Briefly, Material handling is the moving of materials from the raw stage through production to ultimate customer with the least expenditure of time and effort so as to produce maximum productive efficiency at the lowest material handling cost.

It is not only about the movement of material. It also involves storage, protection, and control of material while it moves in different departments like a warehouse, production, and manufacturing departments. It is one of the essential tasks for organizations. A poorly handled material become waste before it can be used for production purpose or before it is sent to retail stores.

In the old times, it was mostly done manually because of the lack of technology. Because of that, the number of accidents during handling work was quite high. In present times, with the introduction of technology, almost all of the work is done using automation or semi-automation. The introduction of technology not only reduced the cases of accidents occurred but also made the work fast.

Material Handling is **MOTION**: Parts, material and finished products must be moved from store to location. Material handling is concerned with moving them in the most efficient manner.

Material Handling is **TIME**: Each step in any manufacturing process requires that it supplies are on hand the moment it needs them. Material Handling must assure that no production process or customer need will be hampered by moving material arranged of location too late or too early.

Material Handling is **QUANTITY**: Rate of demand varies between steps in the manufacturing process. Material Handling has the responsibility of being sure that each location continually receives the correct quantity of parts.

Material Handling is **SPACE**: Storage space, both active and dormant, is a major consideration in any building as space costs money. Space requirement are greatly influenced by the Material Handling flow pattern.

Material Handling Processes Definition:

Material handling can be defined as the science and art involved in receiving, packing, storing, and moving material in any form.

Materials handling may be defined as the art and science of movement, handling and storage of materials during different stages of manufacturing considered as material flow into, through and away from the plant. It is in fact, the technique of getting the right goods safely, to the right place, at the right time and at the right cost.

According to Henry Fayol- It is a system of auxiliary equipment that improves flow of material which intern reduces stoppage in production machines and thus increases productivity of machine. These equipment are designed in order to supplement the production machines.

5.2 CONCEPTS AND ELEMENTS OF MATERIAL HANDLINGS

5.2.1 SCOPE OF MATERIAL HANDLING

Scope of Material handling:

Materials handling is spread over to many different industries and fields of engineering,

Manufacturing

Manufacturing is the largest single field for applications of material handling where a wide range of materials handling equipments are used.

Materials handling problems involve surveys, plant and equipment layouts, routing, packaging and storage of materials.

Processing

Processing requires handling of bulk materials (like gases, liquids, semi-liquids and bulk solids). Special handling problems affect the plant design.

Construction

Construction needs proper receiving, sorting, storing and moving materials. In heavy construction projects, there is now a choice of special methods and equipments of materials handling. It influences the civil engineers in project planning.

Mining

In both underground mines and open pit operations, there is now a variety of equipment for extraction, handling and transportation of coal and ore. Cost of extracting the materials has been reduced to the minimum.

Power

Materials handling equipment for handling fuel and ash are needed.

Machine Tools

The design of many processing machines is influenced by the need for integrating various material handling features or attachments to modern machine mechanisms.

Truck building

The automotive engineer develops trucks and trailer as efficient materials handling vehicles, designed for speedy loading and unloading, ensure cargo is secured properly, and safe transportation of a variety of materials.

Rail road car builders

The above are involved in improved rail road cars, development of terminal equipment, improvement in materials handling procedure for loading and securing freight and transferring or unloading it at terminals.

Barge and Ship building

New handling devices and improved kinds of marine carriers are manufactured in this industry.

Aircraft

Better cargo and storage methods for air transport where materials handling is concerned.

5.2.2 OBJECTIVES OF MATERIAL HANDLING

Material handling is one of the most critical activities taking place in an organization. Material handling makes a large portion of the total business expense of a company.

Therefore, achieving the lowest cost and maximum production can be considered as the main objectives of the material handling process.

1. Reduced cost using a material handling

The first and foremost objective of material handling is lowering the cost of production. Because a large portion of the total production cost is spent on material procurement, storage, and movement. Material is crucial for the production process.

The process of production will halt if the material is not provided in sufficient quantity and on time. Therefore, material handling is given the utmost importance. Companies always look for methods that can be used for the optimized use of material.

By the use of sophisticated methods, the cost of production can be reduced to a significant amount.

2. Reduced waste of material

Another significant concern of an organization is to minimize material waste. Sometimes, the material gets wasted because of poor storage, or sometimes it gets wasted while moving it from one place to another.

An appropriate material handling not only concerns about the movement of material but also takes care of placing orders of the right amount, making the use of the material at the right time, keeping the right amount of inventory, and moving material using better techniques and with caution.

All of this is taken care of to reduce the wastage of material. Moreover, lower wastage for material results in lower costs. As a result of which the profit margin of the organization will increase.

3. Improved work condition

Before the inclusion of technology, all movement and storage works were done manually. Some labors were responsible for performing these tasks. They were responsible for all the loading and unloading work.

Poor results in frequent accidents on-site because of poor work conditions. A proper and well-thought material handling also takes care of people performing the work.

4. Enhanced distribution

Distribution means the delivery of final goods to the retailers and wholesalers. A lot of material gets damaged during transportation because of poor packing and poor storage.

It helps in the reduction of damage to **products** during shipping and handling. In addition to this, it also concerns the storage location of the material. A proper storage location reduced the chances of material gets damaged in the storage house.

5. Optimized warehouse capacity

Warehouse cost also adds to the price of the final product. Warehouse capacity means the ability for storing goods. It is essential to take care of the layout of the warehouse, flooring of the warehouse, and aisle space in the warehouse to have optimized warehouse capacity.

Optimized warehouse capacity also helps in reducing the overall production cost.

6. Improved flow of material

A smooth flow of material is when material enters the company in raw material form at the time when it is required and exits the organization in the form of final goods. The flow of material gets disturbed when the material is not available when it is needed for the production or gets damaged rather than being used for the production process.

It concerns with the smooth flow of material in the organization. It improves the circulation of material in the organization as a result of which material stays for less time in the warehouse and is used for production at earliest.

7. Full equipment utilization

Expensive machinery and equipment are used for the production process. These equipment fails to perform at their maximum capacity because of poor material handling.

Because the performance of these equipment depends mainly on the speed at which the material is supplied and received. Therefore, material handling also helps in the full utilization of the capacity of the equipment.

8. Workers' safety

The last but not least objective is the safety of workers. Poor material handling can result in accidents in the factory, which are very risky for workers working there.

5.2.3 DISCUSSIONS ON PRINCIPLES OF MATERIAL HANDLING

PLANNING PRINCIPLE all material handling should be the result of a deliberate plan where the needs, performance objectives and functional specification of the proposed methods are completely defined at the outset. Definition: A plan is a prescribed course of action that is defined in advance of implementation. In its simplest form a material handing plan defines the material (what) and the moves (when and where); together they define the method (how and who). Very important points:

- The plan should be developed in consultation between the planner(s) and all who will use and benefit from the equipment to be employed.

- Success in planning large scale material handling projects generally requires a team approach involving suppliers, consultants when appropriate, and end user specialists from management, engineering, computer and information systems, finance and operations.

- The material handling plan should reflect the strategic objectives of the organization as well as the more immediate needs.

- The plan should document existing methods and problems, physical and economic constraints, and future requirements and goals.

- The plan should promote concurrent engineering of product, process design, process layout, and material handling methods, as opposed to independent and sequential design practices.

STANDARDIZATION PRINCIPLE: Material handling methods, equipment, controls and software should be standardized within the limits of achieving overall performance objectives and without sacrificing needed flexibility, modularity and throughput .anticipation of changing future requirements Definition: Standardization means less variety and customization in the methods and equipment employed. Very important points:

- The planner should select methods and equipment that can perform a variety of tasks under a variety of operating conditions and in

- Standardization applies to sizes of containers and other load forming components as well as operating procedures and equipment.

- Standardization, flexibility and modularity must not be incompatible.

WORK PRINCIPLE: Material handling work should be minimized without sacrificing productivity or the level of service required of the operation. Definition: The measure of work is material handling flow (volume, weight or count per unit of time) multiplied by the distance moved. Very important points:

- Simplifying processes by reducing, combining, shortening or eliminating unnecessary moves will reduce work.
- Consider each pickup and set-down, or placing material in and out of storage, as distinct moves and components of the distance moved.
- Process methods, operation sequences and process/equipment layouts should be prepared that support the work minimization objective.
- Where possible, gravity should be used to move materials or to assist in their movement while respecting consideration of safety and the potential for product damage.
- The shortest distance between two points is a straight line.

ERGONOMIC PRINCIPLE: Human capabilities and limitations must be recognized and respected in the design of material handling tasks and equipment to ensure safe and effective operations. Definition: Ergonomics is the science that seeks to adapt work or working conditions to suit the abilities of the worker. Very important points:

- Equipment should be selected that eliminates repetitive and strenuous manual labor and which effectively interacts with human operators and users.
- The ergonomic principle embraces both physical and mental tasks.
- The material handling workplace and the equipment employed to assist in that work must be designed so they are safe for people

UNIT LOAD PRINCIPLE: Unit loads shall be appropriately sized and configured in a way which achieves the material flow and inventory objectives at each stage in the supply chain. Definition: A unit load is one that can be stored or moved as a single entity at one time, such as a pallet, container or tote, regardless of the number of individual items that make up the load. Very important points:

- Less effort and work is required to collect and move many individual items as a single load than to move many items one at a time.
- Load size and composition may change as material and product moves through stages of manufacturing and the resulting distribution channels.
- Large unit loads are common both pre and post manufacturing in the form of raw materials and finished goods.
- During manufacturing, smaller unit loads, including as few as one item, yield less in process inventory and shorter item throughput times.
- Smaller unit loads are consistent with manufacturing strategies that embrace operating objectives such as flexibility, continuous flow and just-in-time delivery.
- Unit loads composed of a mix of different items are consistent with just-in-time and/or customized supply strategies so long as item selectivity is not compromised.

SPACE UTILIZATION PRINCIPLE

Effective and efficient use must be made of all available space. Definition: Space in material handling is three dimensional and therefore is counted as cubic space. Very important points:

- In work areas, cluttered and unorganized spaces and blocked aisles should be eliminated.
- In storage areas, the objective of maximizing storage density must be balanced against accessibility and selectivity.
- When transporting loads within a facility the use of overhead space should be considered as an option.

SYSTEM PRINCIPLE

Material movement and storage activities should be fully integrated to form a coordinated, operational system which spans receiving, inspection, storage, production, assembly, packaging, unitizing, order selection, shipping, transportation and the handling of returns. Definition: A system is a collection of interacting and/or interdependent entities that form a unified whole. Very important points:

- Systems integration should encompass the entire supply chain including reverse logistics. It should include suppliers, manufacturers, distributors and customers.

- Inventory levels should be minimized at all stages of production and distribution while respecting considerations of process variability and customer service.

- Information flow and physical material flow should be integrated and treated as concurrent activities

- Methods should be provided for easily identifying materials and products, for determining their location and status within facilities and within the supply chain and for controlling their movement.

- Customer requirements and regarding quantity, quality, and on-time delivery should be met without exception. Consistency and predictability, regarding quantity, quality, and on-time delivery should be met without exception.

AUTOMATION PRINCIPLE

Material handling operations should be mechanized and/or automated where feasible to improve operational efficiency, increase responsiveness, improve consistency and predictable. Some of the very important points include:

- Pre-existing processes and methods should be simplified and/or re-engineered before any efforts at installing mechanized or automated systems.

- Computerized material handling systems should be considered where appropriate for effective integration of material flow and information management.

- Treat all interface issues as critical to successful automation, including equipment to equipment, equipment to load, equipment to operator, and control communications.

- All items expected to be handled automatically must have features that accommodate mechanized and automated handling.

ENVIRONMENTAL PRINCIPLE

Environmental impact and energy consumption should be considered as criteria when designing or selecting alternative equipment and material handling systems. Definition: Environmental consciousness stems from a desire not to waste natural resources and to predict and eliminate the possible negative effects of our daily actions on the environment. Very important points:

- Containers, pallets and other products used to form and protect unit loads should be designed for reusability when possible and/or biodegradability as appropriate.

- Systems design should accommodate the handling of spent dun age, empty containers and other by-products of material handling.

- Materials specified as hazardous have special needs with regard to spill protection, combustibility and other risks.

LIFE CYCLE COST PRINCIPLE

A thorough economic analysis should account for the entire life cycle of all material handling equipment and resulting systems. Definition: Life cycle costs include all cash flows that will occur between the time the first dollar is spent to plan or procure a new piece of equipment, or to put in place a new method, until that method and/or equipment is totally replaced. Some important points are:

- Life cycle costs include capital investment, installation, setup and equipment programming, training, system testing and acceptance, operating (labor, utilities, etc.), maintenance and repair, reuse value, and ultimate disposal.

- A plan for preventive and predictive maintenance should be prepared for the equipment, and the estimated cost of maintenance and spare parts should be included in the economic analysis.

- A long-range plan for replacement of the equipment when it becomes obsolete should be prepared.

- Although measurable cost is a primary factor, it is certainly not the only factor in selecting among alternatives. Other factors of a strategic nature to the organization and which form the basis for competition in the market place should be considered and quantified whenever possible.

5.2.4 TYPES OF MATERIAL HANDLING

1. Manual material handling

The first method is used for material movement is manual material handling. In this type of handling, the whole work of the movement is dependent on the workers. The workers lift, carry, deliver, empty the container of material by their hands. This type of material handling is a prolonged method for material movement as a result of which it causes a delay in the production work and stops efficient machines to deliver up to their full capacity. Manual handling not only slows down the production work but is also hazardous for workers who do the work. They do a lot of physical labor, which affects their health. The shoulders and lower back of workers get strained which affects not only their work capacity but also the overall work capacity of the organization. Moreover, they are also prone to accidents because of doing a lot of physical work.

2. Semi-automated material handling:

The semi-automated material handling is when workers do the work of material handling with the help of machinery and other carrying trollies and trams. Semi-automation becomes popular in industry in the initial days of the introduction of technology. It is a good alternative for manual handling. Semi-automation not only reduced the physical work of workers but also speed up the production work.

In semi-automation handling, workers do the work of loading and unloading themselves but rather than carrying material on their backs or by holding in hands; they can move the material using trollies or trams.

It is economical for a company as a company hires a smaller number of workers to do the same amount of work. Moreover, it also lowers the rate of mishappenings in the organization as a result of which the medical expenses of the organizations also reduce.

3. Automated material handling:

The next type is automated material handling. Automated handling reduces or eliminates manual work. Automated handling means machines and robots perform work. Robots have replaced the manual work completely. In developed countries like Japan, most industries have replaced their workforce with worker robots.

There are several advantages to automated handling. The first benefit is that it increases the speed of production work. Robots work 100 times faster than a human worker. Moreover, automation also reduces the chances of accidents during work. Workers are not required to do physical work in the gruesome work conditions. They can sit comfortably and can control robots do all the physical work.

Automation also reduces the production cost for the company. Rather than hiring many workers, companies can employ a few workers who can control the robots. This reduces the expenses of workers' wages and medical expenses.

For example, Amazon is replacing its fulfillment center jobs with robots. Fulfillment centers were employing a considerable number of employees. Now, at the place of humans, robots will pack orders to send out for delivery.

5.2.5 SELECTION OF MATERIAL HANDLING EQUIPMENTS

Selection of material handling equipment is an important decision as it affects both cost and efficiency of handling system. The following factors are to be taken into account while selecting material handling equipment.

1. PROPERTIES OF THE MATERIAL: Whether it is solid, liquid or gas, and in what size, shape and weight, it is to be moved, are important considerations and can already lead to a preliminary elimination from the range of available equipment under review. Similarly, if a material is fragile, corrosive or toxic this will imply that certain handling methods and containers will be preferable to others.

2. LAYOUT AND CHARACTERISTICS OF THE BUILDING: Another restricting factor is the availability of space for handling. Low-level ceiling may preclude the use of hoists or cranes, and the presence of supporting columns in awkward places can limit the size of the material-handling equipment. If the building is multi-storeyed, chutes or ramps for industrial trucks may be used. Layout itself will indicate the type of production operation (continuous, intermittent, fixed position or group) and can indicate some items of equipment that will be more suitable than others. Floor capacity also helps in selecting the best material handling equipment.

3. PRODUCTION FLOW: If the flow is fairly constant between two fixed positions that are not likely to change, fixed equipment such as conveyors or chutes can be successfully used. If, on the other hand,

the flow is not constant and the direction changes occasionally from one point to another because several products are being produced simultaneously, moving equipment such as trucks would be preferable.

4. COST CONSIDERATIONS: This is one of the most important considerations. The above factors can help to narrow the range of suitable equipment, while costing can help in taking a final decision. Several cost elements need to be taken into consideration when comparisons are made between various items of equipment that are all capable of handling the same load. Initial investment and operating and maintenance costs are the major cost to be considered. By calculating and comparing the total cost for each of the items of equipment under consideration, a more rational decision can be reached on the most appropriate choices.

5. NATURE OF OPERATIONS: Selection of equipment also depends on nature of operations like whether handling is temporary or permanent, whether the flow is continuous or intermittent and material flow pattern-vertical or horizontal.

6. ENGINEERING FACTORS: Selection of equipment also depends on engineering factors like door and ceiling dimensions, floor space, floor conditions and structural strength.

7. EQUIPMENT RELIABILITY: Reliability of the equipment and supplier reputation and the after sale service also plays an important role in selecting material handling equipment.

5.2.6 ADVANTAGES OF MATERIAL HANDLING

1. SAVE MONEY

With decreasing profit margins within the construction industry, saving money is a big consideration for logistics and manufacturing projects. Material handling equipment may initially be costly but is a huge money saver in the long run. Using such equipment delivers products more efficiently without stretching the budget or adding more manpower.

Reducing the number of people needed to sort, ship, and handle items not only saves money but dramatically reduces the time it takes to ship a package. What this means is that work gets done faster with less people.

Equipment such as robotic delivery systems help with load consolidation and route planning, which helps save on resource expenditures.

2. MAXIMIZE SPACE

Space within the production floor is important for ease of movement of staff, products, and equipment. Storage and handling equipment such as stackable frames help maximize space on the production floor as they help with holding products that are not being transported. In turn, this saves on storage space and maximizes space utilization on the production floor.

Using storage equipment such as stackable frames means materials can be stacked higher resulting in more space on the facility floor. Equipment such as Automated Storage & Retrieval Systems (ASRS) that help with inventory storage and retrieval also maximize floor space by storing large volumes of material within a small footprint.

3. DECREASE PRODUCT DAMAGE

Manual movement of materials or products across the facility floor could result in product damage if the materials are not handled carefully.

Requiring facility staff to lift and transport goods manually increases the risk of product damage. For instance, this could happen when one accidentally drops products, hence destroying them. This is where material handling equipment comes in, delivering products safely thereby decreasing product damage. This is also a money saver for the facility since damaged products could prove to be costly if the facility is required to replace and ship them all over again.

An example of such equipment would be forklifts that are meant to lift heavy materials, protecting them from accidental drops and damage.

4. IMPROVED CUSTOMER SERVICE

Shorter shipping and delivery times translates to more business and happier customers. Using material handling equipment ensures faster production and delivery times facilitating faster order fulfillment.

Ensuring that customers receive their shipments on time and undamaged, not only helps maintain the customer base but brings in new business through customer referrals.

5. INCREASE WORK EFFICIENCY AND PRODUCTIVITY

Staying competitive within manufacturing sector (predicted to have a 1.9% growth in 2021), requires increased efficiency for operations and logistics. Incorporating material handling solutions is one way to increase efficiency as it enables workers to focus on one project at a time. Without having to do everything at once, workers can prioritize projects which improves productivity.

Material handling systems also increase efficiency of floor staff through automating labor. Consequently, workers are able to accomplish more work in less time. These systems are also able to increase the unit load by reducing the number of trips in a warehouse facility.

Material handling solutions not only increase work efficiency but also productivity. When workers are forced to handle bulk materials, they experience fatigue which often decreases productivity. Material handling equipment increases productivity by taking this burden off the workers' shoulders. Equipment such as automated conveyer belts also increase productivity by speeding up the manufacturing speed and cycle.

6. REDUCE ACCIDENTS IN FACILITIES

Much of the material moved across a facility floor is heavy and comes in bulk. Manually moving such materials can not only result in product damage but also in employee injuries.

The construction industry is already known to present many hazards to its workers resulting in a higher injury rate compared to other industries. Construction activities such as lifting heavy and bulk materials could potentially cause lifelong injuries.

Reducing the number of materials to be handled manually reduces the number of potential back and hand injuries. Therefore, opting for material handling solutions is a measure that can help improve the safety of facility workers.

Systems such as automated conveyer belts use integrated automation to move materials around the manufacturing facility with little manual effort. As the unit load increases, lift trucks mitigate the risk of employees overexerting themselves in the event that the total weight exceeds their physical limitations.

7. ATTRACT EMPLOYEES AND IMPROVE WORKER SATISFACTION

Implementing ideal material handling systems that keep workers safe will help attract good quality workers. This type of environment also attracts high caliber employees with experience and training to handle such systems.

Employees are also able to perform tasks with confidence since these systems help ensure accuracy, control, and safety. In turn, this promotes a positive workplace culture and a higher level of employee satisfaction.

Incorporating material handling equipment means that workers will have an easier time performing their job. They will be able to prioritize projects and accomplish more in a shorter period, promoting not only their satisfaction levels but also their productivity. When inventory is at the right place at the right time, workers are not forced to search for misplaced items. Employees also do not have to deal with damaged products which could result in frustration and lower morale.

5.2.7 IMPORTANCE OF MATERIAL HANDLING

The importance of materials handling is that it helps productivity and increases profitability. Many enterprises go out of business because of material handling. In many cases it is seen that rival industries are using same or similar production equipment, and one who uses improved materials handling system stays forward of their competitors. A well designed materials handling system attempts to achieve the following: Improve efficiency of a production system by ensuring the right quantity of materials delivered at the right place at the right time most economically.

- Cut down indirect labour cost.
- Reduce damage of materials during storage and movement.
- Maximize space utilization by proper storage of materials and thereby reduce storage and handling cost.
- Minimize accident during materials handling.
- Reduce overall cost by improving materials handling.

• Improve customer services by supplying materials in a manner convenient for handling.

• Increase efficiency and scalability of plant and equipment with integral materials handling features Apart from these, for certain industries, like process industries, heavy manufacturing industries, construction industries, mining industries, and shipbuilding or aircraft industries etc., the materials are so large and heavy that these industries just cannot run without appropriate materials handling system. All the above points clearly portray the importance of materials handling in an industry or a material transportation system. However, the negative aspects of materials handling should also not be overlooked. These are:

Additional capital cost involved in any materials handling system. Once a materials handling system get implemented, flexibility for further changes gets greatly reduced. With an integrated materials handling system installed, failure/stoppage in any portion of it leads to increased downtime of the production system. Materials handling system needs maintenance, hence any addition to materials handling means additional maintenance facilities and costs.

5.2.8 CHALLENGES IN MATERIAL HANDLING

The factors that an organization needs to do in order to get rid of the problems faced in internal material handling systems. The following are the nine factors. 1. Right material amount: the use of Just in time concept (JIT) which is focused on the significance of holding the needed materials/parts in the logistics function

2. Correct material: there should be a system which accurately picks identifies the right material, picks it up and the deliver it to the correct destination.

3. Right material quality: the material quality in the system should be that which is desired by the various users.

4. Following right sequence: it is very import that the correct sequence in the manufacturing process is followed, i.e. the movement, storage, protection and the controlling of material should be done in the correct way.

5. Correct orientation: Correct orientation of the materials being worked on in an organisation on the production lines saves time.

6. Correct place: materials or parts must be delivered to the correct destination as this will save time from unwanted movements.

7. Correct time: due to time based competition organizations are facing, it is imperative that materials are delivered to a working station at the correct time i.e. when they are needed.

8. Correct cost: in this regard, correct cost does not mean an organization need to cut on the cost of the material handling system but rather, it means that the system should be more inclined to contributing more to the collection of revenue than acting as a cost contributor.

9. Correct method: in order for the all eight factors above to work properly, the correct methods have to be used.

5.3 CONCLUSION

Material handling is a key component of logistics management. Generally, we see that any material or product when ordered is handled and packed to be sent to customer. Material handling is a key activity that ensures safety of the products as well as those dealing with the products. The package serves as a means of identifying the product in a way not possible from its outward appearance. In this chapter an attempt has been made to provide important aspects of these two activities.

5.4 CHECK YOUR PROGRESS

1. Material handling consists of movement of material from

a. one machine to another

b. one shop to another shop

c. stores to shop

d. all of the above

2. Economy in material handling can be achieved by

a. employing gravity feed movements

b. minimizing distance of travel

c. by carrying material to destination without using manual labour

d. all of the above

3. Which is not a type of material handling

a. Manual material handling

b. Semi- automated material handling

c. Transient material handling

d. Automated material handling

4. Basic materials which have not undergone any conversion since their receipt from suppliers.

a. WIP
b. Raw Material
c. Finished Parts
d. Work Made Parts

5.5 SUMMARY

Material handling is the art and science involving the movement, handling and storage of materials during different stages of manufacturing. Thus the function includes every consideration of the product except the actual processing operation. In many cases, the handling is also included as an integral part of the process. Through scientific material handling considerable reduction in the cost as well as in the production cycle time can be achieved.

5.6 KEYWORDS

- **Material Handling**: - Material handling" refers to the movement of materials from the store room to the machine and from one machine to the next machine or work station during the process of manufacture.

- **Scope: -** Materials handling is spread over to many different industries and fields of engineering, manufacturing, processing etc.
- **Principles: -** These are the essentials that should be considered while processing a product.

5.7 SELF ASSESSMENT TEST

1. Define material handling along with its scope.
2. Explain the objectives and principles of material handling.
3. What are the techniques of material handling?
4. “Material handling is a necessary evil”. Elaborate.
5. What is the relevance and importance of material handling in industry?
6. What are material handling equipment and considerations for selecting the most appropriate system?
7. What are the features of a good mechanized material handling system?

5.8 ANSWERS TO CHECK YOUR PROGRESS

1. D

2. D

3. C

4. C

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ORGANIZATIONAL STRUCTURE IN RETAIL INSTITUTION

6.0 LEARNING OBJECTIVE

The main objective of this chapters are as follows:-

1. To know about the various types of organisational structures
2. To understand the organisational structures in retailing
3. To understand the role of HRM in retailing

6.1 INTRODUCTION

Organisation is the backbone of management because without an efficient organization no management can perform its functions smoothly. In the management process this organization stands as a second state which tries to combine various activities in a business to accomplish pre-determined goals. It is the structural framework of duties and responsibilities required of personnel in performing various functions with a view to achieve business goals. In other words, organization is simply people working together for a common goal. It is a group of people assembling or congregating at one place and contributes their efforts to achieve a common goal. Hence, it is coordinates different activities for running the business enterprise efficiently so that the common goal can be achieved.

As per Louis Allen "Organisation is the process of identifying and grouping work to be performed, defining ad delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives." In the words of Allen, organization is an instrument for achieving organizational goals. The work of each and every person is defined and authority and responsibility is fixed for accomplishing the same.

As per Koontz and O'Donnell "The establishment of authority relationships with provision for co-ordination between them, both vertically and horizontally in the enterprise structure. These authors view organization as a coordinating point among various persons in the business."

6.2 CONTENTS DISCUSSED UNDER ORGANIZATIONAL STRUCTURE IN RETAIL INSTITUTIONS

6.2.1 CHARACTERISTICS OF ORGANISATION

The following are the different characteristics of an organisation:

(a) Huge investment and number of employees: Modern organizational is too large in terms of number of people in employment and in terms of the amount of investment. Direct contact between employer and employee is not possible in modern organisation.

(b) Division of Work: In organisation the total work of the enterprise is divided into activities and functions. For efficient accomplishment various activities are assigned to different persons. This brings in division of labour specialization in different activities is necessary to improve one's efficiency. Organisation helps in division of work into related activities so that they are assigned to different individuals.

(c) Co-Ordination of various activities: Co-ordination among various activities of a department and of the organisation is necessary for the harmonious functioning of the organisation. Co-ordination is done by the divisional head and the organisation-head.

(d) Huge investment and complicated technology: Modern organisation involves huge investment and complicated technology, their management and operation is a complex affair. It needs assistance from specialists at all levels.

(e) Mutually agreed purpose: There must be mutually agreed purpose because all activities in an organisation are goal-oriented.

(f) Proper system of working in all organisations: There must be proper system of working in all organizations. It means there must be well defined hierarchical levels, a chain of command, rules and procedures and communication network, so that consistency and uniformity in behaviour may exist.

(g) Differentiation is a must: A chain of systematic division of labour takes place by assigning authority and responsibility to an individual who is supposed to be specialized in the job and this leads to differentiation.

(h) Interaction with other systems is also must: All systems are interdependent and exert influence on others and are influenced by others. Mutual dependence necessitates interaction and consequently adaptation.

Thus, the modern organisation is an ideal co-ordination of the functions of a number of people for attaining the mutually agreed purposes through a well-defined system of working, i.e., hierarchical levels, chain of command, rules and procedures and communications and through the principle of division of labour. It influences and is influenced by the social systems.

6.2.2 PRINCIPLES OF SOUND ORGANISATION

In order to have a sound organisation one need to follow some principles. Some of the principles that must be followed in order to have a sound organisation are as under:-

1. Principle of Definition:

It is necessary to define and fix the duties, responsibilities and authority of each worker. In addition to that the organizational relationship of each worker with others should be clearly defined in the organizational set up.

2. Principle of Objective:

The activities at all levels of organisation structure should be geared to achieve the main objectives of the organisation. The activities of the different departments or sections may be different in nature and in approach, but these should be concentrated only for achieving the main objectives.

3. Principle of Specialisation or Division of Work:

Division of work means that the entire activities of the organisation are suitably grouped into departments or sections. The departments or sections may be further divided into several such units so as to ensure maximum efficiency. This will help to fix up the right man to the right job and reduce waste of time and resources. The work is assigned to each person according to his educational qualification, experience, skill and interests. He should be mentally and physically fit for performing the work assigned to him. The required training may be provided to the needy persons. It will result in attaining specialization in a particular work or area.

4. Principle of Co-Ordination:

The objectives of the organisation may be achieved quickly whenever co-ordination exists among the workers. At the same time each work can be done effectively by having co-ordination. The final objective of all organisations is to get smooth and effective co-ordination.

5. Principle of Authority:

When many persons are working together in one place, there will be a difference of power and authority. Of these persons, some will rule and others will be ruled. Normally, maximum powers are vested with the top executives of the organisation. These senior members should delegate their authorities to their subordinates on the basis of their ability. In certain cases, the subordinates are motivated through the delegation of authority and they perform the work efficiently with responsibility.

6. Principle of Responsibility:

Each person is responsible for the work completed by him. Authority is delegated from the top level to the bottom level of the organisation. But the responsibility can be delegated to some extent. While delegating the authority, there is no need of delegation of responsibility. So, the responsibility of the junior staff members should be clearly defined.

7. Principle of Explanation:

While allocating duties to the persons, the extent of liabilities of the person would be clearly explained to the concerned person. It will enable the person to accept the authority and discharge his duties.

8. Principle of Efficiency:

Each work can be completed efficiently wherever the climate or the organisational structure facilitates the completion of work. The work should be completed with minimum members, in less time, with minimum resources and within the right time.

9. Principle of Uniformity:

The organisation should make the work distribution in such a manner that there should be an equal status and equal authority and powers among the same line officers. It will avoid the problems of dual subordination or conflicts in the organisational set up. Besides, it increases co-ordination among the officers.

10. Principle of Correspondence:

Authority and responsibility should be in parity with each other. If it is not so, the work cannot be effectively discharged by any officers, whatever his ability may be. At the same time, if authority alone is delegated without responsibility, the authority may be misused. In another sense, if responsibility is delegated without the authority, it is a dangerous one.

11. Principle of Unity of Command:

This is also sometimes called the principle of responsibility. The organisational set up should be arranged in such a way that a subordinate should receive the instruction or direction from one authority or boss. If there is no unity of command in any organisational set up, the subordinate may neglect his duties. It will result in the non-completion of any work. In the absence of unity of command, there is no guidance available to the subordinates and there is no controlling power for the top executives of the organisation. Further, some subordinates will have to do more work and some others will not do any work at all.

12. Principle of Balance:

There are several units functioning separately under one organizational set up. The work of one unit might have been commenced after the completion of the work by another unit. So, it is essential that the sequence of work should be arranged scientifically.

13. Principle of Equilibrium Balance:

The expansions of business activities require some changes in the organisation. In certain periods, some sections or departments are overloaded and some departments are under loaded. During this period, due weightage should be given on the basis of the new work load. The overloaded sections or departments can be further divided into sub sections or sub-departments. It would entail in the effective control over all the organisational activities.

14. Principle of Continuity:

It is essential that there should be a re-operation of objectives, re-adjustment of plants and provision of opportunities for the development of future management. This process is taken over by every organisation periodically.

15. Principle of Span of Control:

This is also called span of management or span of supervision or levels of organisation. This principle is based on the principle of relationship. Span of control refers to the maximum number of members effectively supervised by a single individual. The number of members may be increased or decreased according to the nature of work done by the subordinate or the ability of the supervisor. In the administration area, under one executive, nearly four or five subordinates may work. In the lower level or the factory level, under one supervision, the twenty or twenty five number of workers may work. The span of control enables the smooth functioning of the organisation.

16. Principle of Leadership Facilitation:

The organisational set up may be arranged in such a way that the persons with leadership qualities are appointed in key positions. The leadership qualities are honesty, devotion, enthusiasm and inspiration.

17. Principle of Exception:

The junior officers are disturbed by the seniors only when the work is not done according to the plans laid down. It automatically reduces the work of middle level officers and top level officers. So, the top level officers may use the time gained by reduction in workload for framing the policies and chalking out the plans of organisation.

18. Principle of Flexibility:

The organizational set up should be flexible to adjust to the changing environment of business. The organisation should avoid the complicated procedures and permit an expansion or contraction of business activities.

19. Principle of Simplicity and Homogeneity:

The organisation structure should be simple. It is necessary to understand a person who is working in the same organisation. If the organisation structure becomes a complex one, junior officers do not understand the level and the extent of responsibility for a particular activity. The simplicity of the organizational structure enables the staff members to maintain equality and homogeneity. If equality and homogeneity are maintained in one organisation, it is possible to determine whether the staff members discharge their duties to realise the objective of the organisation.

20. Principle of Unity of Direction:

This is also called the principle of co-ordination. The major plan is divided into sub-plans in a good organizational set up. Each sub-plan is taken up by a particular group or department. All the groups or departments are requested to co-operate to attain the main objectives or in implementing major plan of the organisation.

21. Principle of Joint Decisions:

In the business organisation, there are number of decisions taken by the officers to run the business. If a complicated problem arises more than one member examines the problems and takes the decisions. Whenever the decision is taken jointly, the decision gives the benefit for a long period and the decision is based on various aspects of the organizational set up.

6.2.3 IMPORTANCE OF ORGANIZATIONAL STRUCTURE

An organizational structure details how certain activities are delegated toward achieving an organization's goal. It outlines an employee's role and various responsibilities within a company. The more authority employees have, the higher up they'll be on the organizational structure. In addition, the more organized a structure is, the more efficiently a company operates. So one must know about importance of organizational structure which are as follows:-

- Faster decision making
- Multiple business locations
- Improved operating efficiency
- Greater employee performance
- Eliminates duplication of work
- Reduced employee conflict
- Better communication
- Faster decision making

When your company's various teams are able to communicate more effectively, your company's overall communication will be positively impacted as well. This will then lead to quicker decision-making. In other words, the flow of information with an organizational structure can be used to promote faster decision-making.

- Multiple business locations

If you're a business owner, having an organizational structure helps to ensure all of your locations are operating in a similar manner and are abiding by the same procedures. Because it's not possible for owners to be at every location, an organized structure can provide you some peace of mind. This is particularly the case when your company begins to grow in size.

- Improved operating efficiency

Because organizational structures divide companies into various teams or branches, they're helping to ensure that all tasks and responsibilities specific to those divisions are met more easily. When an employee knows what they should be working on, they're able to operate quickly and more efficiently. In essence, an organized structure creates an efficient and streamlined system that helps improve company operations overall.

- Greater employee performance

When an employee is delegated certain tasks and responsibilities in a clear manner, they're able to perform well at their job. An organized structure provides employees with the guidance they need to perform at their best every day. An improvement in employee performance can also lead to greater employee morale and confidence.

- Eliminates duplication of work

When employees are divided into teams according to their skills and expertise, the risk of overlapping job duties is eliminated. For example, if a project is assigned to one team, the other teams know it's not their responsibility to take it on because they have their own tasks outlined as well.

- Reduced employee conflict

Using organizational structures can potentially eliminate conflict between employees. While several factors can come into play in this regard, once an employee knows their duties, the more focused they'll be on their own work. For the most part, this is a great way to avoid any rising conflict between coworkers.

- Better communication

While this will vary from company to company and depend on the specific organizational structure in place, an organizational hierarchy has the potential to foster healthy communication between different divisions and teams. Once duties are delegated to various teams and individuals, others in the workplace will know who to turn to for certain matters. For example, if you're on a team with one manager, you'll know who to report to should issues arise. In a similar manner, if someone from marketing has a question about the design of the project, they know to contact the art department.

6.2.5 TYPES OF ORGANIZATIONAL STRUCTURE

There are four types of organizational structures. Understanding how they work and what their benefits and drawbacks are can help you make a more informed decision as to which to implement in your workplace. The four types are:

1. Functional structure
2. Divisional structure
3. Flatarchy

4. Matrix structure

1. Functional structure

In a functional structure, organizations are divided into specialized groups with specific roles and duties. A functional structure is also known as a bureaucratic organizational structure and is commonly found in small to medium-sized businesses. Most people in the workforce have experience working in this type of organizational structure. For example, many companies divide their organization into various departments such as finance, marketing and human resources. Each of these departments then has a manager who oversees it. This manager is then supervised by an administrator or executive who oversees multiple departments.

Here are some advantages of this structure:

- Employees grouped by skill
- Greater sense of teamwork

Here are some disadvantages of this structure:

- Lack of communication with other departments
- Unhealthy competition
- Management issues

2. Divisional structure

In a divisional structure, various teams work alongside each other toward a single, common goal. Each of these divisions has its own executive who manages how that branch operates, controls its budgets and allocates its resources. Large companies employ this type of organizational structure. One example of the divisional structure is a car company that separates their company by SUV, electric or sedan vehicle branches. While each branch has its own function, they all work toward the same goal of making a sale. This is also known as the multi-divisional structure.

Here are some advantages of this structure:

- Focus on a single good or service
- More centralized leadership

Here are some disadvantages of this structure:

- Poor integration with other divisions
- Competition between divisions

- Lack of communication between divisions
- Potential tax implications

3. Flatarchy

In a flatarchy, there are little to no levels of management. A company using this structure could have only one manager in between its executive and all other employees. It is called a flatarchy because it is a hybrid of a hierarchy and a flat organization. This type of organizational structure is used more by smaller companies since they have fewer employees, though it can be used in companies of all sizes. While some companies grow out of this organizational structure, others continue to use it.

Here are some advantages of this structure:

- Cost efficient
- Fosters good communication
- Higher employee morale
- Faster decision making

Here are some disadvantages of this structure:

- Potential employee conflict
- Leadership confusion

4. Matrix structure

In the matrix style of organizational structure, employees are divided into teams that report to two managers—a project or product manager along with a functional manager. In essence, a matrix structure is a combination of various organizational structures. Because these teams have two managers, a matrix structure promotes duality and the sharing of resources. Employees working for companies using the matrix structure have the potential to widen their skill set since they might be assigned to various projects requiring different levels of expertise or skills.

Here are some advantages of this structure:

- Fosters open dialogue
- Flexible workplace environment

Here are some disadvantages of this structure:

- Leadership confusion

- Conflicting leadership loyalties
- Potentially more costly
- Roles may not be clearly defined
- Potentially heavy employee workload

6.2.5 FACTORS AFFECTING ORGANIZATIONAL STRUCTURE

As a business owner, you have multiple structural choices for your company. These choices are made easier by the number of organizational design principle examples from successful companies that you can adopt. Common organizational design principle examples include maximizing the talents and skills of your staff, encouraging accountability, and focusing on the things you can control. However, choosing the appropriate business structure requires you to take into account several factors that can determine the success or failure of your company. For example, a business that has a large number of employees who work on many different projects, may benefit from a structure in which you authorize project leaders to make important decisions without needing upper-management approval. Understanding which factors influence organizational structure is the key to choosing a structure aligned with your long-term goals. Some of the factors which may affect the organizational structure are as under:-

- Size of an Organization

The Small Business Administration defines the average small business in the U.S. as a company that generates $750,000 to $35 million per year, and has 100 to 1,500 employees. This is a broad range, which is why the size of your organization plays a significant role in the structural choices you make. For example, a business that has only 10 employees, may best be served by a simple structure, in which you create and implement all strategies and processes, with little-to-no middle management involvement. However, if you own a business that has 1,000 employees, you may opt for a top-down structure, which includes senior management, middle management, lower management, as well as your employees, to ensure that your vision is properly implemented.

- Business Development Stage

Organizational structural choices are also dictated by the life-cycle stage of your business. In many instances, companies that are in the beginning stage of their development tend to concentrate power and authority in the hands of the founder, and on a small group of trusted advisors. Many companies at this stage don't have a formal design, because business owners haven't mastered which factors influence organizational structure. However, as companies move into a growth phase, control often shifts from the upper tier of management to a more pyramid-like structure, in which authority is granted throughout the various levels.

- Type of Business Strategy

When trying to understand which factors influence organizational structure, you must take into account the way you're positioning your company in the market. For example, if you're pursuing a differentiation strategy to be the first company in your industry to release the best products or services, you will need to have an agile structure that can respond quickly to change. A flat structure would be ideal in this scenario, because employees are empowered to make quick decisions without supervisory approval. On the other hand, if your business is pursuing a strategy of innovating existing products and services, then efficiency is the key to success, which likely calls for a tall or a top-down structure in which there is a clearly defined chain of command. By aligning your strategy with the most important organizational design principles examples, you will maximize your chances for sustained success.

- Technology

In this instance, the word technology refers to how the organization transfers its inputs and outputs. Every organization has at least one technology for converting their resources into products or services. For example, the technology Ford Motor Company uses to produce cars is the assembly line.

There is not a strong association between technology and organizational structure, but studies have found that there is some correlation between the degrees of routine-ness of the technology the organization employs, and the structure that best supports it. By "degree of routine-ness" we mean that the technology tends either toward routine (automated and standardized) or non-routine (varied operations) activities. Routine tasks are often supported by organization structures that are taller and more departmentalized. Organizations that relied on routine tasks often had more manuals and formalized documentation, and decisions were more centralized. Non-routine tasks required decentralization of decisions to support the uniqueness of the tasks.

- Environment

General Motors, as we noted earlier, doesn't face a lot of environmental change. The car market fluctuates a bit here and there, but they basically make cars and sell them. Other organizations feature all kinds of uncertainty. Organizational structures can assist in helping the business withstand the external issues of environment. There are three different dimensions to environmental uncertainty: capacity, volatility and complexity. Capacity refers to the degree in which an environment can support growth. Volatility refers to the level of unpredictable change. Complexity refers to the degree of heterogeneity and concentration among environmental elements.

The higher degree of complexity and volatility in an environment, and the more dynamic the capacity, it stands to reason that the more organic the organizational structure should be. If there is constant change and competition, an organization should be flexible to the changing needs that those dynamics bring with it. A technology or internet-based company would be a good example of one that faces complex, scarce, and dynamic environments.

A tobacco company, though, may be on the other end of that spectrum. Phillip Morris or Brown & Williamson face very few competitors, and their industry is incredibly standardized. The only change they've faced over the years is the decreasing use of their product. These organizations lean toward mechanization.

So above are some of the factors that an organisation must kept in mind while deciding about organizational structure.

6.2.6 CLASSIFICATION OF ORGANIZATIONAL STRUCTURES IN RETAIL INSTITUTIONS

A retail institution is the basic format or structure of a business. Various retail institutions include ownership, store-based strategy and nonstore based, electronic, and nontraditional retailing. In most markets, independents are the most common form of retailer. Some of the common type of organizational structures in case of retail institutions are as under:-

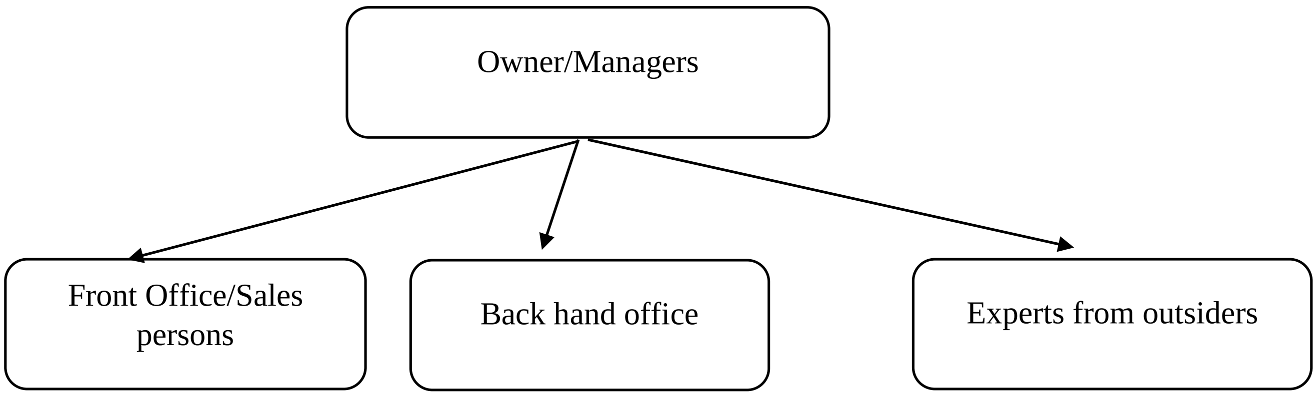
6.2.6.1 Organizational structure for small stores

6.2.6.2 Organizational structure for a retail store chain or departmental store

6.2.6.3 Organizational structure for diversified retailers

6.2.6.1 Organizational structure for small stores

A small business organizational chart is a visual representation of your business structure. It outlines employee roles and demonstrates who employees report to within the company. There are multiple types to choose from and many reasons why you should create one for your business. It is the most common part of the structure that we normally find in India. It is also known as the structure for the independent retailers. There are many examples for such types of retailers such as local karyana shpos, grocers, cloth merchants, shoes seller, parlors and boutiques. Furniture shops, hardware stores, fruits and vegetable sellers etc. Normally a small retail institution works at a small scale and the owner of the retail institution is going to manage most of the activities of the business. Usually the structure of a small business is as under:-



- **Owner: -** A business owner is the legal proprietor of a business. An individual or group that owns the assets of a firm and profits from them. The owner can be the same person who directs the business and controls its day-to-day processes or he can choose to have a manager for that purpose, or even name a Board of Directors to do it. The corporate governance applied in a particular firm largely depends on its size and operational complexity. In spite of the company's size, the owner has the ultimate control on its company and therefore decides whether to delegate or not certain key executive functions on qualified professionals.
- **Sales Persons:-** A salesperson is a person whose job is to sell products or services. Another term for salesperson is sales rep (or sales representative). The terms salesman and saleswoman are still commonly used, but salesperson and sales rep are often used in their place. The plural of salesperson can be salespeople or salespersons. A salesperson is often said to "work in sales" in

which sales refers to the type of occupation or the division or department within the company. A salesperson can sell directly to customers or to other businesses or organizations. Sometimes, salespersons sell things in person, such as at a retail store or dealership. They also commonly sell things over the phone or by communicating with people online. In the past, it was common for some salespersons to travel door-to-door to make sales to people at home.

- **Back hand office: -** The back hand office is the portion of a company made up of administration and support personnel who are not client-facing. Back hand office functions include settlements, clearances, record maintenance, regulatory compliance, accounting, and IT services.
- **Experts from Outsides: -** a person who has special skill or knowledge in some particular field; specialist; authority. In case of retail institutions one is known to be an expert who has all the knowledge in the field of retail.

6.2.6.2 Organizational structure for a Retail Store Chain or Departmental Store

With the increase on the scale of production, various activities of a retail store needs to be supervised and properly controlled in order to run the business more successfully. In some cases the retailer may also decide on opening of various branches at different locations in order to increase his market share. With such increase in the number of branches and scale of production it becomes very difficult to control the business with the simple structure. In such case the organizational structure of the business needs to be updated. Many department stores use a product organizational structure. They group their departments by various product types, such as housewares, sporting goods, women's clothing and cosmetics. Department stores use product organizational structures because their departments carry many different lines of products. For this purpose one needs to take a decision on making the organizational structure in many basis which may include the structure on geographical basis, structure on product basis, structure on the basis of SBU’s etc. The retailer nay also go for functional structure by deciding the different activities of the business on the basis of functions performed by them.

As per Mazur Plan given by Paul Mazur in 1927, the organisation may go with functional classification. Mazur plan is a retail store management technique under which the store activities are categorized into four major areas: merchandising, publicity, store management and accounting and control. It is also known as four function plan. This plan was developed by Paul Mazur in 1927. This plan emphasis on four major functions that a retail store must perform which are as follows:-

- Merchandising: Buying and selling of goods for an agreed sum of money
- Publicity: To promote a product by issuing a message in public
- Store management: To manage day-to-day operations of a retail store
- Accounting and control: To help ensure the validity and accuracy of the firm's financial statements

Mazur plan is based on the traditional management model of line i.e. Direct authority and responsibility and staff i.e. Advisory or support components.

Mazur plan has three main components i.e. Main store control, separate store organization and equal store organization.

- Main store control: The headquarters retains the final authority
- Separate store organization: The branch stores have distinct buying responsibilities
- Equal store organization: Both branch store and headquarters have equal status

However, due to complexity many retail firms even have 6-7 functions to address all the issues.

6.2.6.3 Organizational structure for Diversified Retailers

In case of a well-diversified retailer the structure is also change. Diversified retailers are those retailers who operates in various businesses that are well diversified. In such case the structure of the organisation becomes more complex. Normally the ownership of the organisation is centralized.

Diversified retailers normally works with multiple channels and also tries to open with multiple retail outlets. Diversified retailers may opt a normal functional structure for their businesses but they must have to incorporate some additional departments which are as follows:-

1. Interdivision control department
2. Resource allocation department
3. Special advertisement department
4. Research department

So in case of diversified retailer one has to look for all the complexities that a diversified business may face from time to time.

6.3 ROLE OF HUMAN RESOURCE MANAGEMENT IN RETAIL

It is very important in case of organisation that one has to take care of their employees and staff in the best possible way. So normally in every organisation we have one most important department in the organisation known as human resource department. So one need to focus on this department. Human Resource Management is the process of recruiting, selecting, inducting employees, providing orientation, imparting training and development, appraising the performance of employees, deciding compensation and providing benefits, motivating employees, maintaining proper relations with employees and their trade unions, ensuring employees safety, welfare and health measures in compliance with labour laws of the land and finally following the Orders / Judgments of the concern High Court and Supreme Court, if any.

Human Resource Management deals with the management functions like planning, organizing, directing and controlling. It deals with procurement of human resource, training & development and maintenance of human resource. It helps to achieve individual, organizational and social objectives. Human Resource Management is a multidisciplinary subject. It includes the study of management, psychology, communication, economics and sociology. It also deals with building team spirit and team work. It is a continuous process.

Human resource management as a department in an organisation handles all aspects of employees and has various functions like human resource planning, Conducting Job analysis, recruitment and conducting job interviews, selection of human resources, Orienting, training, compensating, Providing benefits and incentives, appraising, retaining, career planning, quality of work life, employee discipline, black out sexual harassments, human resource auditing, maintenance of industrial relationship, looking after welfare of employees and safety issues , communicating with all employees at all levels and maintaining awareness of and compliance with local, state and federal labor laws.

The historical rule of thumb for Human Resource staffing requirements is one full-time professional Human Resource person should be hired for every 100 employees. The actual ratio for a business can vary depending upon factors such as the degree of HR centralization, the geographic distribution of the employees served, the sophistication level of the employees, and the relative complexity of the organization.

6.3.1 Functions of Human Resource performed by Retail Organisation

The functions of HRM can be divided into two parts which are as under:-

1. **Managerial function of Human Resource Management**

- Planning - HR

Planning is the first and basic function of the management and everything depends upon planning as it is a process of thinking about things before they happen and to make preparations in-advance to deal with them. Poor planning results in failure and effects overall system. Therefore HR Managers should be aware of when is right time to do things, when things should be done and when things should not be done in order to achieve goals and objectives of the organization.

Establishing goals and objectives to be achieved through the employees so as to achieve the organizational mission set by the top-level management.

Developing rules and procedures which has to be followed by the employees in order to avoid any sort of discrimination among the employees in any of their functions, to enable fair and transparent treatment among employees, to avoid conflict starting from recruitment to the separation of employees, inculcate discipline among the employees, to drive performance of employees and ultimately to avoid conflict and contravenes with statutes and employment laws of the land, ultimately for smooth running of the organization.

Determining plans and forecasting techniques as a part of human resource planning to avoid any shortfall of workforce so as to avoid impact on the output of the organisation, to draw the estimation of workforce exactly needed for the organisation and to plan for attracting talented candidates.

HR outsourcing: as that of make or buy decision in operations management, human resource manager should be able to make decisions with regard to HR activities which are to be executed by the management itself or to be outsourced when there is advantage of expertise to bring in and cost-saving for organization. The following are the most outsourced HR activities; legal advice and support, employee payroll, pensions, training and development, recruitment, employee assistance, compensation and benefits, outplacement is, human resource information systems, employee relations, policy-making, strategic partnerships, appraisal of employees and resource planning.

- Organising- HR

HR managers should be well aware of organizing everything related to human resource and organisation as organizing is the process of making and arranging everything in the proper manner in order to avoid any confusion and conflicts.

Giving each member a specific tasks to finish overall objectives of the job given to an employee is the duty of the human resource manager, besides it also to the duty of human resource manager to define task clearly before entrusting job to an employee. HR managers should keep in mind that task entrusted to employees should be matched with their skill set and abilities and it is also lookout of HR managers to give training to employees in the area or subject which is going to be entrusted to employees, otherwise the task entrusted to employees gets failed and defeated.

Establishing departments and divisions according to the nature of jobs and works in order to improve the efficiency, expertise and speedup the work. Establishment of separate divisions and departments would give easy and effective control over employees by the management which would give better results and improve overall performance of the organisation.

Delegating authority to the members for a good cause and to make employees more responsible towards their job and organisation is a part of employee development. Delegating authority to employees makes them to be more responsible towards organisation as there is a principle called authority equals to responsibility, vice versa when you load an employee with responsibilities, he should be given authority so as to fulfil the responsibilities casted upon employee. Authority without responsibility and responsibility without authority defeats its purpose. Therefore when employees feels responsible and accepts responsibilities, it is a good sign as it makes employees to be engaged in the job.

Establishing channels of authority and communication is the primary responsibility of any human resource manager which would enable managers to effectively communicate desired goals and objectives of the organisation. Having effective communication will avoid conflicts, make staff to understand what exactly they are expected to and also enable the manager to get the things done in time.

Creating a system to coordinate the works of the members so as to make the employees to work properly and not to cause any conflict in the allocation of the work to the employees. Improper and discriminating allotment of the work we will make one or the other employee feel overburden, burnout and can create conflicts among employees among members which is not good for the organisational health and building teams will create teamwork which creates synergy among team that will bring out the best out of them.

- Staffing - HR

Staffing is one of the key functions of human resource management as staffing is the process of employing right people, providing suitable training and placing them in the right job by paying them accordingly and satisfactorily.

Determining the type of people to be hired should be emphasised as they are the fundamental resource and investment for any organisation. Every organisation wants right people with them but they come at a price. Employee compensation is a key factor in primary motivating factor to attract talented and retain them in the organisation for a long period of time.

Compensating the employees is one of the core functions of the human resource management. Among all the motivating factors money is very important and primary motivating factor for any employee. Providing right compensation for the work done by an employee will not only make an employee feel happy, it will also make the organisation in compliance with employment laws of the land, if compensation is unjustified it amounts to exploitation of employees which is against law.

Setting performance standards, measuring and evaluating the employees: A performance appraisal is meant to help employees realise their strengths and shortcomings and receive a compensation accordingly. The very purpose of appraising the performance of employees is to evaluate and compensate accordingly. Unless organisation sets performance standards to its employees, it cannot compare and measure employees actual performance with the standard performance. HR managers take performance gaps of employees for making decisions on employees with regard to rewarding them with bonus, profit-sharing, stock options and payment of incentives or not. These employee performance gaps will not only be considered for making decisions with regard to compensation but it is also considered for making decisions with regard to initiate corrective actions on said employees, promoting them to higher levels and if any employees performance gaps are high, such employees gets demoted, suspended or sometimes may be discharged from job.

Counselling the employees as a human resource manager, for understanding and helping people who have technical, personal and emotional or adjustment problems with an objective to reduce them, so that performance of employees are maintained at expected level or even improved upon.

Recruiting prospective employees and selecting the best ones from them is one of the primary functions of human resource management. Recruiting is the process of inviting the people who were willing to join the organisation and selecting best out of them is the crucial process in which various selection tests are conducted. Having best people in the organisation will make that organisation is best in all the ways which would create employer brand that will help to attract talented people and also make them to retain in the organisation long period of time.

- Directing - HR

Directing is a knowledge, discipline and formal way of communicating to others that what you are expecting from them to do for you or to an organization. Unless a HR manager has capability of directing, he / she can't be said as full-fledged HR manager. When a HR manager has right directing capabilities, it is gives clarity for employees what they are expected to perform, removes confusion in employees and gives clarity of what results are expected by the management from employees.

Getting work done through subordinates so as to meet the organization’s goals and objectives. Indeed getting work done to others is an art which every Human resource manager should possess, for which employee motivation by the Human Resource Management influences and matters a lot.

Ensuring effective two-way communication for the exchange of information with the subordinates in order to effectively communicate the goals and objectives of the organisation as it plays key role in understanding what the human resource manager or organisation is expecting from employees to perform. Miscommunication between employees block the progress and even would lead to conflicts which eventually affects the overall performance of the organisation.

Motivating subordinates to strive for better performance by way of providing employee recognition, rewards, intrinsic benefits, paid vacations, increments in salary, gifts, any social security benefits to employees and their family members is one of the functions of human resource management.

Maintaining the group morale by way of fair treatment among employees, being ethical and generous towards employees, management being loyal to its employees and giving priority to employee concerns. It is the responsibility of human resource manager to guide always to its employees, otherwise lack of guidance often kills the morale of employees. Training and development programmes not only improve the skills of employees but also boost their morale, thereby making them happy and leading to longer tenures. Apart from breaking the monotony in the workplace, training programmes offer employees a learning platform where they are able to master new skills and become more marketable.

- Controlling - HR

HR managers should have the knowledge of controlling all HR related matters, as they should be able to think and decide what should be done and what should not be done and which should be done and which should not be done while dealing with employees.

2. **Operative function of Human Resource Management**

- Procurement - HR

Job analysis is a systematic process of gathering all the data & information pertaining to the job for preparing of job specification which determine the skills, qualifications & traits for job and preparation of job description which describes the duties and responsibilities so as to recruitment and selection of employee, give satisfaction on the job, and feel motivation while doing the job, etc. Harry L. Wylie defines "Job analysis deals with the anatomy of the job.....This is the complete study of the job embodying every known and determinable factor, including the duties and responsibilities involved in its performance; the conditions under which performance is carried on; the nature of the task; the qualifications required in the worker; and the conditions of employment such as pay, hours, opportunities and privileges"

- Job Designing

It is the process of deciding on the content of a job in terms of its duties and responsibilities; on the methods to be used in carrying out the job, in terms of techniques, systems and procedures and on the relationships that should exist between the job holder and the superiors, subordinates and colleagues. Job enlargement, job enrichment, job rotation, and job simplification are the various techniques used in a job design exercise. Job design goal is to minimize physical strain on the worker by structuring physical work environment around the way the human body works.

- Recruitment & selection

Recruitment and selection of the human resources for an organisation is the major and basic function of human resource management. Human resources planning and recruiting precede the actual selection of people for positions in an organisation. Recruiting is the process of inviting qualified job seekers by using different platforms like issuing notification in regular newspapers or employment newspapers which are exclusively meant for employment news and notifications, television media, online and on social networking websites which have become mostly used resources for recruitment and hiring people. There are two major source of recruitment of employees, one is recruitment through internal sources and the other is recruitment through external sources. Internal recruitment is the process of inviting or giving chance to the people relating to concern organisation or to the people relating to the existing employees or directly giving opportunity to the existing employees. External recruitment is the process of inviting job seekers who do not belong to or anyway related with an organisation, which simply means inviting outside candidates. Subsequently, selection of right person form the pool of candidates by administering various selection tests like preliminarily screening, written tests, oral tests and interviews etc.

- Development- HR

Career planning and Career development; process of establishing personal career objectives by employees and acting in a manner intended to bring them about. HR managers should help their employees in knowing their strengths for placing them in suitable job, guide employees what skills and knowledge should be acquired for attaining higher positions, planning for suitable training for polishing existing skill set and providing good work-life-balance to make balance between career and personal life, after all, every one work for their personal life.

Career development according to Schuler, "It is an activity to identify the individual needs, abilities and goals and the organization's job demands and job rewards and then through well designed programmes of career development matching abilities with demands and rewards". Career development does not guarantee success but without it employees would not be ready for a job when the opportunity arises. HR managers should encourage their employees by providing them suitable opportunities to grow for promoting them to higher jobs according to their skills and knowledge, identify and provide opportunities to employees to learn new skills in the job and compensate accordingly and guiding employees in right career path to develop in their career.

- Maintenance and Motivation - HR

Employee well-being; providing well working conditions at workplace is the fundamental duty of Human Resource Management department. Treating employees inhumane is against to the Constitution of India according to [Article 42 under Chapter XXXIV of Directive Principles of State Policy of the Constitution of India].

It is also the duty of Human Resource Management to provide welfare measures like Pure water drinking facilities, restrooms, lunchroom in an organisation having more than 150 employees, minimum medical aid facility for 150 employees, maintenance of an ambulance in an organisation having more than 500 employees, canteen in an organisation having more than 250 employees, crèches for children in the organisation having more than 30 women employees and sitting facilities for employees wherever it is required and possible.as prescribed under The Factories act 1948.

6.3.2 Advantages of Human Resource Management in Retail organisation

The multi-faceted requirements of human resources (HR) can present problems for even the most successful organizations. Small businesses who handle HR internally tend to neglect important day-to-day tasks required to run a successful business. Over time, the stress of wearing multiple hats may lead to compliance issues, missed deadlines or worse. Help avoid problems and give your business the attention it needs to thrive by working with a human resource management (HRM) company a company that helps you manage your HR processes. Some of the advantages of HRM in retail business are as under:-

1. Secure Top Talent.

Attracting industry leading talent takes a big commitment. It requires time, energy and finances. Businesses report that on average, it takes a lot of time to find the right candidate for a job, but the best candidates are off the market a very short span of time. If your business is more technical or in a specific niche, this timeline changes. Once you find a qualified candidate, you'll still need to conduct interviews. If you don't ask the right questions during this process, you can end up hiring the wrong employee. Instead of wasting time posting to irrelevant job boards and ads, you can work with a professional employment organization (PEO) to help secure top talent. By defining your company culture based on your mission, vision and values, you'll attract strategic talent. You'll have access to industry-specialized expertise and insights to make informed decisions more efficiently.

2. Stronger Onboarding

Even if you find the perfect candidate that will work well with your company, onboarding can make or break their future. Your company's onboarding process is how you make a first impression on your new hire, welcome them to your company and prepare them for success in their role. When handled poorly, onboarding can have adverse effects and set your new employee up for failure. By working with a PEO, you'll have access to expert guidance and time-tested onboarding procedures so your new employees can hit the ground running.

3. Improve Employee Retention

Companies with high turnover rates tend to lose money and eventually, deter top talent. For every employee that leaves and needs to be replaced, you'll spend about 33% of that position's salary. Unfortunately, many small businesses don't understand why the turnover is occurring. Human resource management companies can help you understand the reasons for turnover with a detailed analysis of compensation in targeted markets. While you might need to increase the salary for certain positions to retain employees, you'll save money in the long run.

Strategic HR solutions from a qualified company can boost employee engagement, performance and improve team building. Real-time feedback may uncover hidden issues, find solutions to problems and make sure that your employees feel valued. By utilizing proven performance management tools, you can transform your employees into productive and effective teams. Team building can help your employees reach their full potential, which may lead to increased company productivity and higher profits. And with continuing education opportunities, you'll give your employees resources they need to learn relevant information and stay up to date on industry specifications.

Keeping your employees safe while they're on the job is also an important facet of HR. By utilizing risk mitigation programs and industry-specific assessments onsite, you may reduce the likelihood of workplace injuries. If they do occur, you'll have access to a strong workers' compensation program.

4. Access to Big-Company Employee Benefits

Small businesses are often limited in their employee benefits packages, but when you team up with an experienced PEO, your business' size no longer limits benefits. You'll receive access to a variety of insurance carriers with great options for spouses and pets, plus perks for employees. This will keep your current employees happy and help you attract industry-leading talent. You'll gain access to a broad range of health coverage and retirement plans as well as voluntary benefits such as critical accident and illness policies, access to auto and home policies, commuter benefits and more.

5. Fewer Compliance Issues

There are potentially hundreds of individual rules and regulations with which HR departments are required to comply. If you're not trained in this area of expertise, staying in compliance becomes a full-time job. You'll need to ensure your company is in line with all of the applicable rules and regulations that impact employment and employee relationships. This includes everything from hiring, benefits, payroll and termination.

Even the smallest companies are required to uphold compliance regulations. If you only have a few employees, this takes away valuable time and energy from running and growing your business. By outsourcing your HR, you'll be able to help protect your business and gain the confidence that you have resources to help with the ever-changing employment-related regulations and compliance obligations. Experts will be there to act as your HR ally and assist with federal, state and local regulations while helping with certain employment- related inquiries. They can also assist you to create a well-documented trail to help protect you if legal issues arise.

6. Access HR Anytime, Anyplace

One thing that makes HR more difficult is the dependence on office-based resources to get things done. By teaming up with an outside PEO, you'll have access to a comprehensive HR software platform with self-service and mobile tools that allow you to manage your HR in real time. This allows you to save time and energy while gaining immediate access to the insight you need to make the right decisions.

Your employees will benefit from an HR technology platform as well. They'll be able to view pay stubs, make changes to Form W-4s, enroll in benefits, update direct deposit info, request time off and more. This technological integration gives you access to the HR data you need anytime, anyplace.

7. Help Save Time and Energy

One of the most beneficial aspects of partnering with an HRM company is the time and energy that you may save. By having a thought leader for your HR requirements, you'll free up valuable time to grow your business and develop your products and services.

The first step in benefiting from HRM is making the decision. According to SHRM, 54% of small businesses handle human resources internally, using a PEO with comprehensive HR solutions will allow you to focus on company growth without the accompanying challenges.

6.4 CASE STUDY

'Customer first, quality first' is the policy that drives Toyota. How is it that the company's able to make both the customer and quality a priority? Toyota would say the answer is in its organizational structure. A company's organizational structure describes how an organization accomplishes its goals, decides the tasks that need to be performed, and who makes the decisions.

Toyota's production system and its organizational structure had long been lauded as the most efficient and effective, which created a culture of excellence. They use what they call a just-in-time (JIT) production system, which means raw materials are delivered to the production facility just as they are needed. This level of production is possible because of Toyota's organizational structure, and that structure has undergone some significant changes since 2013. Toyota's organizational structure was based on a traditional Japanese business hierarchy in which the most senior executives make all of the decisions for the entire organization. It is typified by little delegation of authority, and all information flows one way: from the top down.

- **What do you know about JIT technique**
- **Do you think that JIT technique can be beneficial in every business**
- **How much centralized is the authority in case of Toyota?**

6.5 CHECK YOUR PROGRESS

1. **What is the term for organizational development through a formally designed organizational structure?**
   - a) Organic
   - b) Mechanistic
   - c) Formal
   - d) Structured
2. **Functional structures help to create…….**
   - a) teamwork
   - b) specialization
   - c) project work groups
   - d) multi-skilled employees
3. **Which writer is most associated with bureaucratic structures?**
   - a) Henry Fayol
   - b) Max Weber
   - c) Adam Smith
   - d) Mary Parker Follett
4. **Specialization is a feature of which organizational structure?**
   - a) Matrix
   - b) Divisional
   - c) Multi-divisional
   - d) Functional
5. **What is not a purpose of an organizational structure?**
   - a) To coordinate people and resources
   - b) To organize lines of communication
   - c) To formalize authority
   - d) To limit workers' rights

6.6 SUMMARY

Organisation structure is one of the most important decision that an organisation has to make. As most of the activities as well as the proper division of authority is based on organizational structure. So one needs to focus on this. We have different types of organizational structures and the retail institutions has to look for that structure which suits to its business.

6.7 KEYWORDS

- **Organisation**:- A group of people who work together in an organized way for a shared purpose
- **Organizational structure:-** An organizational structure details how certain activities are delegated toward achieving an organization's goal. It outlines an employee's role and various responsibilities within a company. The more authority employees have, the higher up they'll be on the organizational structure. In addition, the more organized a structure is, the more efficiently a company operates
- **HRM: -** Human resource management (HRM or HR) is the strategic approach to the effective and efficient management of people in a company or organization such that they help their business gain a competitive advantage. It is designed to maximize employee performance in service of an employer's strategic objectives.
- **SBU: -** A strategic business unit, popularly known as SBU, is a fully-functional unit of a business that has its own vision and direction. Typically, a strategic business unit operates as a separate unit, but it is also an important part of the company. It reports to the headquarters about its operational status.

6.8 SELF-ASSESSMENT TEST

1. What do you mean by organisational structures? Explain the various types of organisational structures.
2. Define the role of HRM in retail institutions.
3. “Organisational structure explain the way of working of an organisation” Do you agree with the statement? Explain your views with suitable examples.

4. Why do most organizations initially have a functional structure?
5. What are the key factors that influence the selection of an organizational structure?
6. Bryan Porter is the new marketing director of a regional bakery company. As a member of management, Bryan is hoping to be judged on his effectiveness as a role model and mentor to his employees. He is eager to develop social relations among co-workers and broaden his network of colleagues within the organization. What type of organizational culture would least satisfy Bryan? What are some reasons why a company might restructure its organizational design?
7. Which term refers to a system in which workers complete their tasks in separate departments without regard for the consequences for the other components of the process?

6.9 ANSWER TO CHECK YOUR PROGRESS

1. B

2. B

3. B

4. D

5. D

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Lesson no. :07	**Vetter: Prof. Rajiv Kumar**
STORE BASED AND NON STORE BASED RETAIL ORGANIZATION	

7.0 LEARNING OBJECTIVES

The fundamental objectives of this chapter are as follows:-

1. To illustrate the structure of store based and non-store based retailing
2. To display the importance of non-store based retail organization
3. To explore the factors affecting selection of retail organization.

7.1 INTRODUCTION

The term retail organization refers to the basic format or structure of a retail business designed to cater to the needs of the end customer. Recently, some scholars have started referring to India as a nation of shopkeepers. This epithet has its roots in the huge number of retail enterprises in India, which were over 12 million in 2003. About 78% of these are small family businesses utilizing only household labor.

Retail firms may be independently owned, parts of a retail chain, operated as a franchisee, leased departments, owned by manufacturers or wholesalers, consumers owned or co-operative society. The objective of every retailer is to convert the visitors into buyers. Retailers apart from serving the link between manufactures and consumers should also have to concentrate on improving the sales target so that the revenues are generated. Retailers in order to ensure the flow of revenues into the business, often have to concentrate on many important aspects of retailing such as improving communication with customers, building a brand image among the general public and to providing efficient customer service. Retailers usually concentrate on these services to ensure customers are satisfied. But to convert the visitors into buyers or customers, retailers more specifically the organized retailers must and should have to concentrate on the most significant elements of retailing business. These significant elements of retailing are visual merchandising, store design and effective retail space management as these elements would not only attracts customers to retail stores but would also convert them from visitors to buyers. The purpose of visual merchandising is to attract the customers through effective display of merchandising in stores. Effective visual merchandising manages to attract customers and delivers a better engaging experience to the customers. Similarly, effective designing of the store is very essential to the retailers as it influences the decision of customers. Further, it is essential that, retailers should not leave any retail space left unused and should concentrate on the product display so that the right products are available in right space.

A retail unit could be owned by-

- Manufacturer (e.g., company owned retail outlets)
- Wholesaler (e.g., Vastra outlet in Rajouri in New Delhi)
- Independent retailer (Chanakya Sweet Shop near Hazratganj in Lucknow)
- Consumer (consumer owned grocery stores in man y residential societies)
- Co-operative society (e.g., Mother Dairy milk booths in Delhi)
- Government (e.g., Cottage Emporia)
- Ownership shared among franchiser and franchisee (e.g., Archies Gallery)

Although most Indian retailers fall in the category of small-scale units, there are also some very big retailers. Organized retail stores are generally characterized by large, professionally managed store formats providing goods and services that appeal to customers, in an ambiance that is conducive for shopping and provides a memorable experience to customers.

From positioning and operating perspectives, each ownership format serves a marketplace niche and presents certain advantages and disadvantages. Retail executives must not lose sight of this in playing up their strengths and working around their weaknesses.

Conceptual classification of a business unit provides the marketers with strategic guidelines, useful in the design of retailing strategy. Besides, retail businesses are extremely diverse and there are quite a few types of retail units. Therefore, retail units are classified on multiple of ownership, geographical locations, kind of customer interaction level of services provided etc.

7.2 THEORIES OF STRUCTURAL CHANGES IN RETAILING

Retailing has always been dynamic industry and retail firms have brought innovative approaches into retailing, changing the industry as they entered, developed and grew. Understanding how and why this process occurs is essential for success in the industry. We will examine three theories of how firms change and in doing so change the industry. In retailing, change is not a matter of change, it is a virtual certainty.

The Wheel of Retailing: The Wheel of retailing is one better known theories of structural change in retailing. It was proposed by Malcom P MacNair at Harvard University. The wheel of retailing concept describes how the retailing institutions change during their evolutionary life cycles. New retailing institutions enter the markets as low-status, low margin, and low price operations. As these retailers achieve success; attempts are made to increase their customer base and sales. Products are upgraded, facilities are improved, and new services are added. Prices and margins are increased to support these higher costs. New retailers enter the market to fill the low-status, low margined, and low-price niche. The cycle begins again. Hence, the retail store passes through stages of growth and decline. Hence, it can be said that a retail store emerges, enjoys a period of accelerated growth, reaches a maturity, and declines. The wheel of retailing is criticized because it does not explain all changes in retailing. In fact there are many stores do not start as low price.

The Dialectic Process: A second theory holds that retailing evolves through a dialectic process-the blending of two opposing store types into a superior form. For example, speciality stores offer specialized merchandise, wide array of services, and attractive surroundings to a large and diverse market. The blending of these two formats produces the speciality discount stores. Natural Selection: According to this theory, retail stores evolve to meet changes in the micro-environment. The retailers that successfully adapt to technological, social, demographic, economic, political and legal changes are most likely to grow and prosper. The variety stores are an example of this theory who failed to adapt to changing environment. As it takes into account macro-environmental forces, the theory of natural selection is more inclusive than those of the wheel of retailing and the dialectic process, which are based solely on a profit-cost analysis. By gravitating to those stores that best meet their desires and needs, and shunning those stores that do not, consumers exert a powerful force on the evolution of retailing as does any other part of the macro-environment.

7.3 TYPES OF RETAIL ORGANIZATION

7.3.1 TYPES OF STORE BASED RETAIL ORGANIZATION

1. Retailers Classified on the Basis of Ownership

One of the first decisions that the retailer has to make as a business owner is how the company should be structured. This decision is likely to have long-term implications, so it is important to consult with an accountant and attorney to help one select preferred ownership structure.

There are four basic legal forms of ownership for retailers:

- Sole proprietorship: – The vast majority of small businesses start out as sole proprietorship's. These firms are owned by one person, usually the individual who has the day-to-day responsibility for running the business.
- Partnership: – A partnership is a common format in India for carrying out business activities (particularly trading) on a small or medium scale. In a partnership, two or more people share ownership of a single business.
- Joint venture: – A joint venture is not well defined in the law. Unless incorporated or established as a firm as evidenced by a deed, joint ventures may be taxed like association of persons, sometimes at maximum marginal rates. It acts like a general partnership, but is clearly for a limited period of time or a single project.
- Limited liability Company (public and private):- The Limited Liability Company (LLC) is a relatively new type of hybrid business structure that is now permissible in most states. The owners are members, and the duration of the LLC is usually determined when the organization papers are filed.

2. Classification of Retailers on the basis of Operational Structure

Retail businesses are classified on the basis of their operational and organizational structure. Operational structure defines the key strategic decision of retail entity, whether to hire employees and manage the distributed sales function internally or to reach customers though franchised outlets owned and operated by local entrepreneurs

Retail firms can be classified into five heads on the basis of their respective operational structures:

- Independent retail unit: – The total number of retailers in India is estimated to be over 5 million in 2003. About 78% of these are small family businesses utilizing only household labor. An independent retailer owns one retail unit.
- Retail Chain: – A chain retailer operates multiple outlets (store units) under common ownership; it usually engages in some level of centralized (or coordinated) purchasing and decision making.
- Franchising: – Franchising involves a contractual arrangement between a franchiser (which may be a manufacturer, a wholesaler, or a service sponsor) and a retail franchisee, which allows the franchisee to conduct a given form of business under and establishments name and according to a given pattern of business.
- Leased Department or Shop-in-shop:- It refers to department in a retail store that are rented to an outside party. Usually this is done in case of department and specialty stores and also at times, in discount stores.
- Co-operative Outlets: – Co-operative outlets are generally owned and managed by co-operative societies. In this context the detailed example of Kendriya Bhandar in India.

3. Classification of Retailers on the basis or Retail Location

Retailers have also been also been classified according to their store location. Retailers can locate their stores in an isolated place and attract the customers to the store on their own strength–such as a small grocery store or paan shop in a colony, which attracts the customers staying close by.

Classification of retailers on the basis of location is discussed below:

- Retailers in a free-standing location: – Retailers located at a site which is not connected to other retailers depend entirely on their sore’s drawing power and on the various promotional tools to attract customers. This type of location has several advantages including no competition, low rent, better visibility from the road, easy parking and lower property costs. For example the Haldiram’s outlet on the Delhi-Jaipur highway and the McDonald’s outlet on Delhi-Ludhiana highway.

- Retailers in a Business-associated Location:- In this case, a retailer locates his store in a place where a group o retail outlets, offering a variety of merchandise, work together to attract customers to their retail area, and also compete against each other for the same customers.
- Retailers in Specialized Markets: – Besides the above location-based classification, we also have in India-retailers who prefer specialized markets, particularly traditional independent retailers or chain stores. In India, most of the cities have specialized markets famous for a particular product category. For example, in Chennai, Godown Street is famous for clothes, Bunder treet for stationery products, Usman street for jewellery, T Nagar for ready-made garments, Govindappan naicleen street for grocery, Poo Kadia for food and vegetables.
- Airport Retailing: – For quite some time, duty-free shops and newsstands dominated the small amount of commercial space provided at airports. Lately, serious efforts are being made to design new airport facilities in order to incorporate substantial amounts of retail space.

The key features of airport retailing are:

- Large groups of prospective shoppers
- Captive audience
- Strong sales per square foot of retail space
- Strong sales of gift and travel items
- Difficulty in replenishment
- Longer operating hours
- Duty-free shopping possible.

On the Basis of Merchandise offered

1. Departmental Stores:

A departmental store is a large scale retail institution that offers several products from a pin to plane such as clothing, grocery etc. Retail establishment that sells a wide variety of goods. Departmental stores are the largest form of organized retailing today, located mainly in metro cities, in proximity to urban outskirts. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Piramyd, Pantaloon.

Advantages of Departmental Stores

- Departmental stores enjoy the benefits of economies of scale and also cost advantages due to its large scale operation. Usually, the purchases are done in bulk or large quantities as a result of which special concessions can be availed on the purchases.
- Departmental stores usually have ready availability of cash in liquid form, which provides an advantage of procuring quality goods at affordable prices along with special discounts/concessions and keeping a reserved stock for meeting the growing demands of the customers and enjoying a business advantage.
- Customers usually get attracted towards the departmental stores for their buying requirements due to the availability of a variety of products under a single roof.

2. Convenience stores:
These are relatively small stores located near the residential area. They offer limited line of convenient products such A ` store is a small store or shop that sells items such as candy, ice-cream, soft drinks, lottery tickets, cigarettes and other tobacco products, newspapers and magazines, along with a selection of processed food and perhaps some groceries, etc.

Such stores enable the customers to make quick purchase and offer them few services. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day; Prices are slightly higher due to the convenience premium.

3. Super Market:
These are retail organisations that provide low cost high volume self-service operation to meet consumer requirements. Most of the super market charge lower price. Example: Subhiksha.

They are the large self-service outlets, catering to varied shopper needs. These are located in or near residential high streets. A supermarket, also called a grocery store, is a self-service store offering a wide variety of food and household merchandise, organized into department.

It is larger in size and has a wider selection than a traditional grocery store and it is smaller than a hypermarket or superstore. Supermarkets usually offer products at low prices by reducing their economic margins.

Features of a supermarket

A supermarket has the following characteristics:

1. It operates on self-service basis.

2. Prices are comparatively lower.

3. Credits are not extended to customers.

4. It offers large varieties of goods.

5. The profit margin is lower.

6. Customer service is minimum.

7. Sales are not compelled.

8. Neat display of goods is quite attractive.

Advantages of Supermarkets

Supermarkets suffer from the following limitations:

1. Supermarkets are located in busy centres

2. Buyers get quality goods at lower prices

3. Profit margin is lower

4. Customers get a wide assortment of goods

5. Shopping is convenient

6. There is no risk of bad debts.

Disadvantages of Supermarkets

a) As supermarkets are located at important centres, rent for its premises is higher.

b) Operating costs are higher.

c) Supermarket service may not be suitable to villages and small towns.

d) Huge capital is needed.

e) There is scope for mismanagement.

f) Due to low pay, employees leave the job in search of better prospects. High employee turnover prevents the supermarkets from building personal relationship with customers.

g) All goods cannot be displayed. It is difficult to sell some goods in pieces.

h) People's ignorance and lack of education act against the functioning of the supermarkets.

4. Hyper Market:

A hypermarket is a superstore which combines a supermarket and a department store. Hyper markets are huge retail stores that offer various products such as clothes, jeweler, stationery, electronic goods at cheaper price. Example: Big Bazaar, Star Bazaar, Giant Stores etc. They focus on high volume.

5. Specialty stores**:**

A specialty store is a store, usually retail, that offers specific and specialized types of items. They offer a narrow product line that concentrates on specialised products such as jeweler, fabrics, furniture etc. Customer service and satisfaction are given due importance.

For example, a store that exclusively sells cell phones or video games would be considered specialized. A specialty store specializes in one area.

7.3.1.1 CASESTUDY:

Decathlon's Store Based Retailing

Decathlon's core store formula is a big superstore category specialist store with equipment for sports enthusiasts of all levels occupying a sales area of approximately 5500 m2 . The stores are mostly located out of town, and usually in industrial zones to make the huge sale areas possible. This strategy usually reduces the financial investments needed due to lower rental fees. However, as of mid-2015, there are two exceptions to this store location strategy: the Decat' stores, which will be described in the next paragraph, and a completely new city-store concept in Mannheim (Germany). In 2014, Decathlon opened a pilot 4000 m2 store on three floors in the so-called "T-1-structure" in central Mannheim, almost in the centre of the pedestrian zone. The store is based on a full assortment strategy and offers the same services as the regular stores. While this midtown store concept seems completely contrary to stores in industrial zones, a closer look shows the Mannheim store is similar in terms of requiring low financial investment. The building had been vacant since 2001, required urgent maintenance work and was denoted as a "property of concern" in the heart of Mannheim. Therefore, it can be assumed that Decathlon received an attractive offer for rental fees, on top of the generally low rents in Mannheim. In addition, Decathlon received a say in the exterior renovation, conducted by the investor who bought the building in 2007, and had it altered to fit the corporate identity. Overall, having an attractive building in the centre to attract new customer groups, in combination with limited financial investments, seems a sensible strategy that perfectly complements the classical out-of-town store approach. Decathlon's products are priced from entry level to top of the range. Most stores' assortments comprise more than 35,000 items organised and displayed in 70 different sports categories (Decathlon 2015). The range of the assortment and size of each store's selling area are key factors in Decathlon's economic success and major areas of differentiation from the competition. Decathlon's assortment contains both private labels and products from major sports brands such as Nike, Puma and Reebok. Private labels play a particularly important part in Decathlon's strategy: More than 60 % of Decathlon's sales come from private labels, compared to only 15 % of Intersport's or 30 % of Go Sport's sales. To sell sports equipment at low prices, Decathlon could follow a standard low operating costs strategy, which would be normal for a category killer, but would run contrary to their promise of offering high quality products. Thus, to make its business model work, Decathlon controls almost its entire value chain. Decathlon is therefore both a distributor and producer of sports products:

7.3.2 NON STORE RETAILING

Non-store retailing is a form of retailing in which a firm sells its products without a physical retail store/space. The firm sells its products via online platforms and delivers the product to customer's doorstep Although companies have been doing non-store retailing for the past three or four decades, it rose to prominence during the 21st century. However, non-store retailing is not an average line of business by any means. Firms nowadays are switching to non-store retailing because of its "unlimited" benefits.

Importance of Non-Store Retailing

With the changes in customer's preferences, the non-store retailing business has grown immensely during the 21st century. A lot of non-store retailing brands have established themselves as trustable sellers. Therefore, more and more people now prefer to shop without physically visiting the brick-and-mortar stores.

Moreover, non-store retailing has now taken a significant share of the retailing business. In fact, one of the world's largest retailers, Amazon, is a perfect example of non-store retailing. The company has massive warehouses but no physical store. Customers buy the products online, and Amazon delivers the products at the customer's mentioned designation anywhere in the world.

But, does that mean non-store retailing means selling products over the internet? Well, there are many other forms of non-store retailing, and we are going to have a detailed look at all of them.

7.3.2.1 TYPES OF NON-STORE RETAILING

Generally, non-store retailing is classified into six further types:

- Direct selling
- Telemarketing
- Online retailing
- Automatic vending
- Direct marketing
- Electronics retailing

Direct Selling

Direct selling is the oldest form of non-store retailing. Door-to-door selling is one of the most common practices in direct selling. Salesmen usually do cold calls to homes or offices to sell the products. Some salesmen prefer making an appointment with a potential client and then visit later. Salesmen also use other options such as promotions, standees, etc.

However, a firm needs highly trained salespeople for direct selling. It is not easy to persuade a customer unless you have the right skills. Therefore, companies spend heavy budgets on training such a workforce.

- On the other hand, direct selling has a lot of benefits too. For instance, Direct selling allows a firm to interact directly with a customer.
- A customer can have a better demonstration of the related product.
- It reduces overhead costs for a business.

Direct selling also has further subcategories such as:

One-to-one selling

One to one selling includes targeting a single or multiple customer directly. They may visit different homes and offices to sell the products. Moreover, sometimes, the salesman finds a host who invites his/her friends or neighbors to one place, and then the salesmen demonstrate the product in front of a small gathering.

Multi-level Marketing

Multi-level marketing is a large-scale form of direct selling. Amyway.com is a common example of multi-level marketing. The firm started this mode of selling in 1994 when they used to hire independent businesses as their distributors. The company generally targeted the Asia Pacific region and Japan.

Telemarketing

Telemarketing is another traditional mode of non-store retailing and was very common in the late 1990s and early 2020s. It involves selling a product via telephone. However, this non-store retailing channel has almost diminished over time.

Telemarketing is still a common practice in stockbrokers; they often approach their potential clients through telephones, etc. Moreover, bankers often sell their promotional offers, credit/debit cards, etc., via telemarketing.

Online Retailing

Online retailing is one of the latest and most common forms of non-store retailing. Companies sell their products either on their websites or through social media platforms. A firm displays all the available items on its website so that the customer has multiple options to choose from. Customers select a product, make the payment, and the firm delivers the product at the customer’s doorstep.

Amazon.com Inc is the finest example of online retailing. The company has really revolutionized the non-store retailing business. Amazon operates in almost every part of the world. The best thing about Amazon is it caters to almost every single category of customers.

Automatic Vending Kiosks

Automatic vending includes selling products with the help of machines. Mostly, FMCG companies operate with automatic vending machines. Firms install automatic vending machines in public or even in private places.

For instance, beverage companies such a coca-cola, Pepsi, Nescafe, etc., install their vending machines at public places such as stadiums, banks, roads, or even private offices. In fact, pizza sellers are now selling their products via vending machines.

Direct Marketing

Direct marketing is a blend of different non-store retailing practices. Companies used to do direct marketing through coupons, newspapers, magazines, and mails (letters). However, with the advent of the internet, companies now use emails, e-newspaper, websites, e-magazines, etc.

As of now, email marketing has become one of the most effective sources of direct marketing. Companies offer regular email subscriptions mostly free of cost. Potential customers are regularly updated about the latest offerings from the companies.

Electronics Retailing

Electronic retailing is more of online retailing as sellers interact with the customers on digital platforms. These platforms may include the seller’s website or social media profiles. Customers select their desired product and may order through telephone, website, email, or send a direct message on the company’s social media accounts. Common examples include Etsy, eBay, Amazon, Alibaba, etc.

7.3.2.2 ADVANTAGES OF NON-STORE RETAILING

Lower Business/Overhead Costs

The best thing about non-store retailing is you can start a business with little resources. If you go for a traditional brick-and-mortar store, you will need a physical store, and that can be very expensive. But, it requires a warehouse and a digital platform where you can connect to your customers.

Better and Easy Access to the Market

Non-store retailing has made it easier for businesses to access the market. You can set up a simple online shop and start selling. Amazon, eBay, and Alibaba started as simple online stores, and now they are the leading retailers across the globe.

Market Growth

Non-store retailing is now booming. It is not easy to capture or serve a bigger market with on-store retailing. However, with this type of retailing, you can access local as well as international markets. The potential for market growth is immense in this retailing. You just have to develop effective marketing strategies.

Customer Intelligence

Non-store retailing requires customers to submit some necessary personal details to buy a product. This way, companies can keep a record of their customers, can access them with promotional offers, and evaluate customers' needs in a better way.

7.3.2.3 DISADVANTAGES OF NON-STORE RETAILING

Customers' Trust

One of the most challenging things for non-store retailers is to attract customers and gain their trust. In fact, it can be more difficult for those new entrants who don't have any prior market reputation. A firm without any physical presence may find it very difficult to get the business going.

Advertising Costs

A non-store retailer may not need a physical store, but it needs to advertise its products to get customers. Digital marketing can be very expensive, and it mostly works via the pay-per-click method. That said, the advertiser will have to pay for every single click on its advertisement regardless of the sale.

Structural Costs

Structural costs in a non-store retailing business can be high. A business will need a website and a warehouse to start with. Moreover, social media presence is equally important for non-store retailing, and you may have to hire experts to make and manage your website and social media profiles.

Security and Legal Requirements

Websites and other digital channels are always exposed to hacking. If a hacker gets into your business website or social media profiles, things can become very messy for you. Besides, you must be aware of and comply with e-Commerce laws related to run a non-store retailing business.

7.3.2.4 CONTRIBUTION OF NON STORE RETAILING TO THE ECONOMY

Contribution to Economy The direct selling market in India has grown at a CAGR of 21 per cent over the past five years to reach INR72 billion today. Going forward, the industry is expected to witness robust growth with increasing product demand and penetration of direct selling. Internet retailing witnessed strong growth once again in 2014. The number of new shoppers switching to internet retailing and the number of existing customers returning to this retail channel was enormous. This was due to the low prices offered by online retailers, the convenience of shopping from home and the availability of brands in areas where store-based retail outlets are not yet present. There has been a substantial increase in the number of Indians who use the Internet and a concomitant increase in the number of online purchases. Indians have started using the Internet not only for increasing awareness but also to shop online, which has opened a whole new channel of retailing in the Indian retail scenario. Online retailing offers consumers the convenience of ordering merchandise to their doorstep.

7.3.2.5 FACTORS INFLUENCING THE DEVELOPMENT OF NON-STORE RETAILING

Globalization

The era of globalization has become increasing prominent in the 21st century. Many trade agreements like FTAs has been signed and many international organizations has been established. The process of globalization creates a fundamental shift that is occurring in the world economy, from the isolated economy by barriers to cross border trade and investment: by distance, time zones, and language, by national differences in government regulation, culture, and business systems; moving rapidly toward a world in which barriers to cross border trade and investment are tumbling, perceived distance is shrinking due to advances in transportation and telecommunication technology, material culture is starting to look similar the world over, and national economies are merging into an interdependent global economic system Firstly, globalization emerge the connecting technologies all around the world: computer, information, communication, and transportation. Consumer in a nation can easily go shopping online, searching and buying goods by online payments via cashier systems or online banking systems. The development of containerizations and innovation of jet airplane help individuals or businesses increase the effectiveness and efficiency in transporting goods internationally and in moving from one place to other places. Secondly, globalization helps the declining trade and the investment barriers worldwide. The globalization of market refers to the merging of historically distinct and separate national markets into one huge global marketplace. Falling barriers to cross border trade have made it easier to sell internationally. It has been argued for sometimes that the taste and preferences of consumers in different nations are beginning to converge on some 7 global norm by offering standardized global product worldwide that help create global market.

Customer behavior

With the bloom of Internet, the consumers who has come of age during the era of the Internet are more and more increasing. Their shopping behavior is different from the older consumer. Previous studies indicate that consumer innovativeness is lower among older consumers. They are less likely to show an interest in computer shopping because of their lower familiarity with computers and because they are not constrained by time and because they enjoy the socializing associated with store shopping. Contrary to the latest, young people are more favorably disposed towards change and use the new technologies such as the mobile phone, social media from a very early age. They also have hedonistic and utilitarian motives for using internet and mobiles, considering them a source of information, communication, entertainment and an alternative shopping channel. They use social media to follow brands, discover new brands research brands and view video about brands/ products.

Information and Communication Technology (ICT)

Generally, from 2001 to 2015, the global ICT has rapidly developed. In that, there has been more people using Internet, and they have tended to increase accessing to broadband connection on mobile devices and decrease using fixed-telephone. These changes have created more positive influences on non-store retailing, especially the electronic-shopping (e-commerce), direct mail retailer and TV home shopping. According to Internet Live Statistics, there were some trends in global information and communication technology (ICT) from 2001 to 2015 as follow: - The number of people using the Internet was significantly increased from just 8 per 100 inhabitants in 2001 up to 43.4 per 100 inhabitants in 2015. In just 14 years, this indicator was increased approximately 5.5 times. - The fixed-telephone subscriptions were decreased from 2001 to 2015. In 2001, the fixed-telephone subscriptions was approximately 18 per 100 inhabitants in 2001, 8 this figure in 2015 was estimated at 14.5, it was decreased 20% comparing to one in 2001. - The clearest trend we could see is the significantly increasing of mobile phone subscriptions. In 2001, there was just 15 per 100 inhabitants using mobile phone but 96.8 in 100 inhabitants using mobile phone in 2015. It was increased approximately 6.5 times comparing to 2001's figure. It means almost of people using mobile phone presently. - Broadband connection (high speed telephone and internet connection) was increased as well, especially the significantly increasing of active mobile broadband subscriptions since 2007.

Payment system

Payment instruments have been changed during the time, from cash to non-cash payment, such as prepaid card, credit card, debit card, electronic money and mobile payment on the smart phone presently. The various kinds of payment instrument offer the customers a lot of choice to make payment for their consumption. The total value of non-cash transactions was increased from 269.4 billion USD in 2009 to 357.9 billion USD in 2013. Non-cash payment transactions reached almost 390 billion globally in 2014. Payment cards continue to account for a steadily rising share of the non- 9 cash transactions. Debit cards in particular are poised to take more market share away from other payment instruments, such as cash and checks, and that process is likely to accelerate as consumers continue to increase their use of emerging instruments, such as mobile payments, and choose to settle these transactions through their debit cards. The non-cash payment providers are continuously improving their products and services to customer, by providing various kind of payment instrument and enhancing their security system to secure customer's transactions.

Technology and Transportation cost

Econometric evidence has subsequently linked shipping cost declines to rapid growth in international trade in general, as well as in non-store retailing on global level in particular, during that first era of globalization. As we know, although non-store retail is a form of retailing in which sales are made to consumers without using physical store, but retailers still needs vehicles to deliver the goods to final customers. Therefore, the development of transportation help reduce the cost and deliver merchandise in time. The reduction in import prices helps the non retailers more competitive and customers can easily buy the products, which are imported from other countries.

7.3.2.6 DIFFERENCE BETWEEN STORE RETAILING AND NON-STORE RETAILING

BASIS	STORE RETAILING	NON-STORE RETAILING
Product Presentation	Real, Tangible	Represented by image
Store Environment	Use of store environment to enhance. Store design can be matched to product	Difficult to create atmosphere, all though website better than printed media. Product can be shown 'in use
Cost Effective	Flexible and highly visible, but time consuming to make comparisons	Easy to compare prices between competitive non-store retail offers. Not always possible to administer price changes immediately (especially print base media)
Management	Hard to measure results	Easy to measure results though listening tool (by compare cost and conversion rates)
Convenience	May be low, depending on individual circumstances	High (in principle) Low for impulse purchases

Delivery	Usually immediate	Not immediate, arranged, if product cannot be posted
Behavior	Have action in short time Buy in familiar places Buy something beyond purposes.	Compare from a lot sources before have action. Just buy in purposes.

7.4 CONCLUSION

Although most goods are sold through stores, non-store retailing has been growing much faster than store retailing. The major types of non-store retailing formats are Direct selling, Catalog retailing, Automatic Vending In Home shopping and Internet retailing or E-tailing. Non store retailing occurs when a firm uses a strategy mix that is not store based. Electronic retailing is a retail format, in which retailers communicate with customers and offer products and services over the internet. In Catalog retailing the retailer uses catalogs to reach potential customers for orders. Direct selling involves a person to person contact between the retailer (seller) and the customer. A variation of this format is Tele selling, where contact is established over the phone. TV Home shopping is a retail format, where customers watch a TV programme demonstrating merchandise, and then place orders, over the phone. Automatic vending involves a man machine interface, where a customer directly obtains merchandise stored in a machine, by inserting a coin or a credit card.

7.5 CHECK YOUR PROGRESS

1. Person to person interaction between a retailer and a prospective customer is:

a. Direct marketing

b. Automatic selling

c. Direct selling

d. Coercive marketing

2. All of the following are types of non store retailing, except

a. Catalog retailing

b.Vending Machines

c. Chain store

d. Direct Mail

e. Mall order

3. Which is a tangible retailing channel

a. Store based

b. Non-Store based

c. Kiosks

d. Service

4. Which of the following can be a grocery store

a. Super market

b. Hyper market

c. Tele-marketing

d. Specialty store

5. Store is a large retail store offering wide variety of products under one roof separated by different departments-

a. Convenience store

b. Departmental store

c. Specialty store

d. Super market

7.6 SUMMARY

Chapter have introduced various kinds of retail formats in the Indian scenario, which include both traditional and modem retail formats, on one hand and store based and non-store based on the other. Non store based form of retailing is beneficial for the economy as well as the society. It contributes to the GDP of the country by providing employment and business opportunities to youth. In days to come the share of non-store based retailer is expected to reach a higher percentage.

7.7 KEYWORDS

- **Store based organization: -** When the goods and services are sold from a physical place or store, it is called store retailing.
- **Non Store Retailing: -** When the goods and services are sold without a physical place or store, it is called non-store retailing.

7.8 SELF ASSESSMENT TEST

1. Outline various store based retail organization.

2. Explain how non store based retailing contributes to the economy's GDP?

3. Differentiate between store based and non-store based retailing?

4. As a retailer what would you choose between store based and non-store based retailing.

7.9 ANSWERSTO CHECK YOUR PROGRESS

1. C

2. C

3. A

4. A

5. B

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STORE MANAGEMENT

8.0 LEARNING OBJECTIVES

After completion of this unit, you should be able to:

1. To understand the role of stores in an organization
2. To appreciate the problems and benefits of centralization/decentralization of stores
3. To become familiar with the systems and procedures for stores management

8.1 INTRODUCTION

Store is an important component of material management since it is a place that keeps the materials in a way by which the materials are well accounted for, are maintained safe, and are available at time of requirement. Storage is an essential and most vital part of the economic cycle and store management is a specialized function, which can contribute significantly to the overall efficiency and effectiveness of the materials function. Literally store refers to the place where materials are kept under custody.

Typically a store has a few processes and a space for storage. The main processes of store to receive the incoming materials (receiving), to keep the materials as long as they are required for use (keeping in custody), and to move them out of store for use (issuing). The auxiliary process of store is the stock control also known as inventory control. In a manufacturing organization, this process of receiving, keeping in custody, and issuing forms a cyclic process which runs on a continuous basis. The organizational set up of the store depends upon the requirements of the organization and is to be tailor made to meet the specific needs of the organization.

Fig 1 Main processes of a store

Store is to follow certain activities which are managed through use of various resources. Store management is concerned with ensuring that all the activities involved in storekeeping and stock control are carried out efficiently and economically by the store personnel. In many cases this also encompasses the recruitment, selection, induction and the training of store personnel, and much more.

The basic responsibilities of store are to act as custodian and controlling agent for the materials to be stored, and to provide service to users of these materials. Proper management of store systems provide flexibility to absorb the shock variation in demand, and enable purchasing to plan ahead.

Since the materials have a cost, the organization is to manage the materials in store in such a way so that the total cost of maintaining materials remains optimum.

Store needs a secured space for storage. It needs a proper layout along with handling and material movement facilities such as cranes, forklifts etc, for safe and systematic handling as well as stocking of the materials in the store with an easy traceability and access. It is to maintain all documents of materials that are able to trace an item, show all its details and preserve it up to its shelf life in the manner prescribed or till it is issued for use. Store is to preserve the stored materials and carry out their conservation as needed to prevent deterioration in their qualities. Also store is to ensure the safety of all items and materials with in the store which means protecting them from pilferage, theft, damage, deterioration, and fire.

The task of storekeeping relates to safe custody and preservation of the materials stocked, to their receipts, issue and accounting. The objective is to efficiently and economically provide the right materials at the time when it is required and in the condition in which it is required. The basic job of the store is to receive the materials and act as a caretaker of the materials and issue them as and when they are needed for the activity of the organization.

8.2 CONTENTS DISCUSSED UNDER STORE MANAGEMENT

8.2.1 MEANING OF STORE MANAGEMENT

Store Management refers to the efficient management of materials. Store management is concerned with ensuring that all the activities involved in storekeeping are carried out efficiently and economically by those employed in the store.

Stores form the basis of material management. Stores play a vital role in the operations of a company. In an organization, stores are mainly intended to provide staff activity in the production of goods or services. No industrial unit or public undertaking of any size can be managed efficiently without it. The basic objective of storekeeping is to provide services to the operating functions in the most economical manner.

According to Afford and Beatty," Store management is that aspect of material control concerned with the physical storage of goods".

According to Maynard," Store management is to receive materials, to protect them while in storage from damage and unauthorized removal, to issue the materials in the right quantities, at the right time to the right place and to provide these services promptly and at least cost".

Stores Management deals with undertaking the right type of materials in sufficient quantity, in a prompt manner whenever needed, to keep it safe against any sort of damage, pilferage, or theft. It is a part of material management. It involves actual material handling which is received held and issued.

8.2.2 TYPES OF STORES FOR STORE MANAGEMENT

Stores may be centralized, decentralized and centralized stores with sub stores

1. Centralized storage means a single store for the whole organization, whereas decentralized storage means independent small stores attached to various departments. Centralized storekeeping ensures better layout and control of stores, economical use of storage space, lesser staff, saving in storage costs and appointment of experts for handling storage problems. It further ensures continuous stock checking.

Advantages

Centralized stores offer the following benefits:

1. Economy in space, storage cost, and labor.

2. Better supervision and effective control over materials and stores.

3. Minimization of capital investment in stock.

4. Significant reduction of obsolete items in stores.

5. Enables the appointment of experts who can handle the intricacies of inventory control.

6. Enables effective forecasting of material requirements.

7. Better layout and effective inventory checks on stores.

It suffers from certain drawbacks also. It leads to higher cost of materials handling, delay in issue of materials to respective departments, exposure of materials to risks of fire and accident losses are practical difficulties in managing big stores.

Disadvantages

Centralized stores also suffer from limitations, including:

1. Increased material handling and transportation costs.

2. Greater risk of loss by fire due to the concentration of all materials in one location.

3. Inconveniences and delays are caused in supplying materials to departments situated at a distance from the central stores.

4. Accumulation of materials in one place creates storage space problems, meaning that effective control may not be exercised over materials and stores.

5. Any breakdown in internal transportation systems (i.e., those used to carry materials from the stores to different departments) can significantly disrupt production.

On the other hand, decentralized stores involve lesser costs and time in moving bulky materials to distant departments and are helpful in avoiding overcrowding in central store. However, it too suffers from certain drawbacks viz., uniformity in storage policy of goods cannot be achieved under decentralized storekeeping, more staff is needed and experts may not be appointed.

Advantages

Decentralized stores offer the following advantages:

1. Lower internal transportation costs.

2. Avoidance of undue delays associated with receiving materials issued from centralized stores.
3. Minimization of interruptions in work due to failures of the internal transportation system.

Disadvantages

Along with the advantages mentioned above, decentralized stores suffer from the following limitations:

1. Lack of specialization in initiating proper stores control and material handling operations is the most serious drawback of decentralized stores.

2. Setting up a separate store for each department leads to increased labor costs and the occupation of more space for storage purposes.

3. Establishment of decentralized stores usually leads to duplication of clerical work, stores recording, and establishment expenses.

4. Centralized Stores Management with Sub-Stores

In practice, a combination of the above two types of stores management is usually followed, which is known as centralized stores management with sub-stores. This system functions on the principle of the imprest system.

Under the imprest system, all materials are held in bulk in a centralized store, while sub-stores (or decentralized stores) are set up inside each production department. The sub-stores draw their requirements from the centralized or main stores for a specific period (e.g., one month).

The sub-store then issues materials to the department with which it is attached in accordance with the department's requirements.

At the end of the period (e.g., one month), the quantity actually consumed is replenished from the main or centralized stores to bring the stock up to the imprest (i.e., pre-determined quantity).

As such, the imprest system of stores operates exactly like the imprest system of petty cash.

Advantages

Centralized stores management with sub-stores is associated with the following advantages:
1. Easy accessibility to the consuming departments or the department for which such stores are established.
2. Interruptions in production are unlikely because any material items that are immediately required for production are kept in the sub-stores.

2. Specialized control and supervision can be undertaken because a limited number of activities are carried out by the storekeeper in charge of the sub-stores.
3. Risks of fire and accidents are minimized due to diversified storage locations.

Disadvantages

At the same time, stores of this kind suffer from the following disadvantages:
1. Establishment costs are high due to the need for more storage equipment, more storage spaces, and personnel to control the centralized storehouse and sub-stores.
2. The system lacks uniformity in terms of organizing and maintaining stores

8.2.3 MANAGING THE STORE

A store manager is an individual who is charged with the day-to-day operations or management of the retail store. He/She has a multifaceted role to play. The entire store staff reports to the store manager.

His primary duty is to reach sales target, which is predetermined by the company’s management. Reaching sales targets is also important for the effective operation of the stores and they are commonly set in motion as financial targets on the basis of the store’s turnover or profitability ratio. As the store size increases, so does the responsibilities of the store manager. Depending on the size of the store, complexities regarding the number of floor staff, range of products also varies.

8.2.4 DUTIES AND RESPONSIBILITIES OF STORE MANAGER

Management of Employees: Management of employees is one of the most important functions performed by the store manager. It ensures the management of the store's employees, who work at different levels like sales staff, store staff, cleaning staff, and clerical staff.

Maintenance of sales environment: It encompasses store layout plan implementation, display of merchandise, store replenishment, sales record maintenance, etc.

Minimization of cost: It takes into account the controlling expenses which are necessary for running a store. So as to apply cost-effective policies, expenses can be minimized leading to increased profitability. This is possible by waste elimination, errors, and accidents. Cost reduction is essential when the operation of the store is done at a low price policy.

Recruitment, Training, and Development: The primary duty of the retail store manager is to handle the job of recruitment of the right persons for the right job. Thereafter proper training is provided to them to adjust them as per the policies of the store and working environment. New entrants can make or break the whole business. Hence, they should be hired after verifying their minimum qualification and experience. Budgeting and Forecasting: The store manager can aptly predict the future of the store, estimating the expenses that may occur in the future and establishing budgets. Then the store manager explains the targets and availability of funds to the head of the departments.

Implementation of marketing plans: With an aim of pursuing the store's strategic marketing objectives, marketing policies devised in this regard are implemented.

Team Leadership: The store manager is also given the task of encouraging the staff and also minimizing any resistance to change in the methods of work that are needed at the time of defining new strategic directions.

8.2.5 WHAT MAKES THE PERFECT RETAL STORES MANAGER?

There are a few things which the perfect retail store manager will embody. One positive trait which makes a wonderful retail store manager is an individual who has exceptional conversational skills. Since a main component of a retail store manager's daily duties is to interact with customers and employees, it is very important that they know how to converse in such a manner which is courteous yet effective. Looking for individuals with this trait will help interviewers to find the best type of retail store manager. Past experience is another important aspect which all retail store managers should have. Although past employment may not be the only contributing factor to obtaining the best possible candidate for the job, it still is a highly desirable one. Choosing a retail store manager who has some past managerial experience will equate with less training that is needed and perhaps a more established and useful manager overall. Another trait to look for in a potential retail store manager is professionalism. A professional store manager not only will benefit the customers who enter the store on a daily basis but will be a good morale booster for other employees as well. A professional retail store manager does not have to be stuffy yet must know when it is the right time for serious behaviour and when he/she can take a lighter attitude with both the customers and employees. A great retail store manager should also have excellent mathematical skills which may benefit the store the most. Since efficient math skills are an important thing for retail store managers to have since they will be working with money on a daily basis, it is good to have this particular quality. To sum up, these are just some of the many duties and responsibilities which retail store managers must undertake on a daily basis. By understanding these roles one may be better able to tell if the position of retail store manager is right for them.

8.2.6 TIPS THAT CAN HELP STORE MANAGER BECOME SUCCESSFUL

Following are some of the strategies for store manager to become successful

The customer is always right: Yes, that age-old saying holds true even today. The customer is the most important facet of any business. Hence, as a retail store manager you need to ensure that the whole team comprehends that, and behaves as if they do.

Make the customer feel special: Everybody likes feeling special. So, when you are with a customer, give him or her exclusive attention, listening closely to whatever they may be saying to you. During that time don't let anything else interrupt you.

Please the customer: Although this is touted often, it is seldom practiced. As a retail store manager, see to it that the sales staff does that extra bit to make the customer feel 18 pleased, especially as a measure of calming their displeasure about something. For instance, some special store giveaways can be packed with their purchases.

Promise less and deliver more: You have heard of the old saying 'Don't promise what you cannot deliver.' Well, by giving more than whatever you may have promised, you can build a strong customer rapport, both inside as well as outside the retail store.

Appearances do matter: Although you may dismiss it as a superficial aspect of a superficial consumerist society, however, there is no escaping the fact, that the first impressions of the store, including the staff – how they are dressed and how they behave do matter. People do care about the ambience of where they shop.

Display merchandise attractively: A vital part of retail store management is seeing to it that the merchandise is displayed properly. If the items are not displayed or seen properly, they won't be sold in the numbers that they ought to be. Merchandise should look crisp and new at all times. If the items are shop-worn, they should be put in the bargain section. Items that are usually bought on impulse should be placed on display close to the cash out area. Also, appropriate sections should be made for merchandise, and the items should be placed in the correct sections. Items that are similar in nature should be placed in the same area.

Items should be shown to advantage: Apart from displaying merchandise attractively, as a retail store manager, you should also make sure that the items are placed in such a way that they draw the customer’s attention. Hiding or stacking merchandise will not attract the attention of the customer. When thinking about how to display items, try to imagine what the customers will view with the display. Placing merchandise at eye level, or a little lower than that, is the best way to display specials. Placards and signs are also another method of grabbing the eye of the customer.

Get rid of unsold merchandise: The bottom 10 to 20 percent of the product lines should be gotten rid of every year to be replaced by new products. The product lines that are not selling well should be marked down to half their price in order to sell them off fast.

Clear up shopping areas: While making racks and other display areas full, clear up other areas. According to studies it has been shown that having easy shopping areas results in more sales rather than having more racks and tables cluttering up the store.

Timely ordering of inventory: This is another important aspect of a retail store manager’s duties. The levels of inventory should be monitored and kept in adequate amounts at all times. If customers do not find what they are looking for, they will just go to another store. Hence, the store manager must keep track of the inventory constantly.

Hire the right people: A retail manager’s success is largely dependent on the kind of people he/she helps to hire. The staff that is hired has to have the ability of making a quantifiable and meaningful contribution to the store’s performance. In order to be able to rise in the organization, the store manager has to draw the attention as well as the recognition of the top management. The correct people will help in showcasing their 19 talents while they achieve their objectives. In order to get the best out of the rest of the team, the store manager has to be able to keep them motivated.

Training the staff: However, hiring the right kind of people and keeping them motivated is just a part of a retail store manager’s path to success. Part of a retail store manager’s job is to train the staff so that they are aware of what is expected of them. This will ensure that all the people involved in the success of the store move in the same direction.

Incorporating time management skills: After hiring the right people, training them fully, and getting them ready to achieve success, the next thing a retail store manager has to take care of is managing their time along with the changing priorities they have to deal with each day.

Long range planning: Therefore, a retail store management job involves long range planning so that every hour of every day in a week is managed effectively. The skill of long range planning is what will be appreciated by the top management, for they look for people who have the ability of looking forward, and creating concrete plans, in order to increase the business. A retail manager who can accomplish this will rise in the organization.

8.2.7 COMPONENTS OF STORE MANAGEMENT

The 3 core components of productive store management include-

1. Supporting and Encouraging Staff

According to reports by the National Retail Federation, the retail industry's average turnover rate is above 60 percent. Store managers have an important role in supporting and motivating staff to enhance employee retention. For example, providing incentives or communicating with retail employees can promote a positive environment.

Managers can further reduce employee turnover by effectively administering these employment processes:

- Recruiting and Hiring

One way to minimize employee turnover is by hiring dependable candidates whose skill sets align with the job description and who will fit in well with the company's culture.

During the recruitment process, managers should indicate clear expectations for the role and ask candidates questions that provide insight into how they work under pressure. Onboarding

Managers should conduct thorough training to ensure their new hire's transition into the position is seamless. Comprehensive on boarding should include training on how to use the point-of-sale (POS) system and tips on increasing sales. To monitor an employee's on boarding progress, managers should set performance goals and milestones for new hires to meet.

- Managing

Although a new employee may be fully on boarded, managers should still interact with them to make sure they are meeting their goals and making progress. It is also important that management teams listen to their store staff, encourage new ideas, and address any challenges that may arise. This is important because managers must keep store employees motivated to ensure that they work hard and productively.

2. Proactively Controlling Inventory (PCA)

For a retail business to flourish and operate smoothly, inventory must be kept at optimal levels at all times. By properly controlling stock levels, businesses will minimize their risk of profit deficit.

For instance, stock-outs can lead to loss of potential sales and customer loyalty, as shoppers seek competitors to purchase the products they need. On the other hand, overstocking store inventory causes carrying costs to rise since unsold products will take up storage space. Inventory shrinkage, which is when retailers have fewer items in their actual inventory than what was recorded, is also a concern for store management. Shrinkage is generally caused by theft, product damage, or errors in counting.

To control inventory and mitigate stock-related risks to profits, store management should-

Conduct Physical Inventory Counts

Retail managers should implement regular cycle counts to track inventory on a routine basis. Cycle counting is an inventory auditing technique where a small portion of the inventory is counted on a specific day.

By conducting cycle counts, management can quickly monitor their inventory and identify popular items that may need to be restocked. Also, since managers would be focusing on a subset of inventory, they can finish promptly and spend more time helping customers in their store.

Prevent Theft

Theft can occur externally by customers or internally by employees. Implementing loss prevention practices can help businesses detect any shrinkage and allow them to have more visibility into their day-to-day inventory.

Work with Staff

Store managers should delegate tasks and work with staff to control stock. By communicating the importance of inventory and providing related training, businesses will have extra help with making sure stock is properly maintained.

3. Implementing Management Tools

Store management can be streamlined with the latest digital tools and software. For example, retailers can implement cloud POS systems that have advanced features, such as real-time reporting. These solutions can also be integrated with other software, such as inventory management and forecasting. This is important because executive teams will be able to produce data reports, track their inventory, and oversee their financial performance.

Management can take advantage of these tools to maximize their productivity, make data-driven decisions, and promote sales.

Store management comprises a myriad of responsibilities and with effective implementation, retail operations can be productive and customer experience will be enhanced.

8.2.7 STORE SYSTEMS AND PROCEDURES

The systems and procedures in stores can be broadly studied under four heads, viz. identification system, receipt system, storage system and issue system. The overall system of store functioning along with the major input-output documents at each state is shown in Figure I. A substantial amount of information is required, at every stage, for checking, controlling and feedback purposes. The stores systems have been discussed with reference to the physical system as well as the recording or information system.

Identification System

The stores management is concerned with the design and control of the systems utilised in conducting the. store activities. A large number of materials are being handled by a typical stores. Thus the development of an unambiguous and efficient identification system is the first responsibility confronting a stores manager so as to facilitate clear internal communication.

The physical description of each item is usually lengthy and imprecise to be taken for the purposes of identification in day-to-day operations. Moreover, it cannot be operated on mechanical or electronic computing devices, the use of which is increasing every day in automating the clerical operations of the stores. One kind of identification of the parts can be done with the supplier's part numbers. But each supplier has got his own codification system and it will be cumbersome to operate on these numbers for the identification of different parts. Thus the need to develop a proper identification system to coordinate the activities of purchasing inventory control and stores departments with possible integration with the operations of design engineering, production and cost accounting can hardly be over emphasized. The use of codification of parts can be done in any one of the following ways:

Arbitrary Approach

The symbolic approach

The use of engineering drawing number

Receipt System

The stores department receives the stores both from outside suppliers and internal divisions and accordingly there are separate receipt systems. The system of receipt start much before the physical receipt of the materials in the stores. It starts with the placement of purchase order by the purchasing department, a copy of which is sent to stores. This is maintained in chronological order, so as to give an idea at any time about the volume of receipt, and helps in the planning of receipt, unloading, unpacking and other related activities. Further, the supplies while despatching the goods normally send an advice note to the stores. This contains information regarding the date of dispatch, carrier details, description of the consignment and value. Another document known as `consignment note' is prepared by the transport carrier and is sent to the stores concerned. These documents help the store manager to organize and plan for expeditious clearance of materials to minimize costly demurrages. On actual. delivery the receiving department unpacks the goods received and checks quantity and condition of goods using weighbridges, measuring devices, tapes, etc., and tallies it with that in previous documents. There is a packing slip inside each package detailing the contents in package and usually it gives the purchase order number.

Storage System

A Physical Systems: The design of proper shortage system is very important for easy location, proper identification, and speedy issue to the consuming department. The commonly followed systems for physically controlling stores materials are: closed stores system, open stores system and random access stores system. A single firm can follow a combination of these systems depending upon the nature of production operation and the use of materials.

a) Closed Stores System: In such a system all materials are physically stored in a closed or controlled area, usually kept in physical control by locking. Only stores personnel are permitted to enter the stores area. Entry and exit of the material from the area is permissible only with the accompaniment of authorizing document. Maximum physical security and tight accounting control of inventory material are ensured by such a storage system.

b) Open Stores System: In this system no separate store room exists. The material is stored as close to the point of use as is physically possible. Such a system finds applicability in the highly repetitive, mass production type of systems exhibiting a continuous and predictable demand, e.g. automobile assembly plant. The storage facilities are arranged at each work station as per requirement and availability of space. The storage facilities are open and worker has direct access to it; no authorization document is needed. The open type of shortage system expedites the activities, cutting down the retrieval time. Since material is used relatively quickly it is not subject to high rate of deterioration or obsolescence. This system places little emphasis on the security of materials. The materials used in open system should not be easily damaged or pilferaged. The responsibility of stores in this system is to deliver the material to production areas and to devise satisfactory physical storage arrangements with production supervisors. The further responsibility of the materials stored in production areas rests with the production supervisors. The paper work is also considerably less in open system, as it places less emphasis on accounting control. No perpetual inventory records are kept. The actual usage can be determined by finding the difference between the number of items in the beginning and end of the period.

c) Random Access Stores System: This is a typical kind of closed stores system in which no material has a fixed location, All materials are stored at random locations throughout the store room. However, similar types and sizes of storage equipment are grouped together. When an item enters the stores, it is stocked at the first available storage location for that particular group, and when it leaves the storage, location becomes empty for any other item of the same group. Usually a paper-work control system utilising punched card data processing equipment is employed. On the entry of any particular items a punched card is prepared with stores address. The requisitions are run on an electronic device that matches the requisition with stored material record which contains the store's address. The most significant advantages of this system is that it utilises the space more efficiently than a fixed location, system. Further, it provides greater flexibility by accommodating different materials and inventory mixes with some storage facilities. This type of storage system has got certain disadvantages too. It is feasible for large scale operations and requires a costly control system using electronic data processing equipment. The preservation of record card is very important; if it is lost the item is also literally lost for indefinite period. Moreover, the physical stock verification without this is very cumbersome and time consuming.

B Store Records System: Development of appropriate recording system for stores is important to provide right information regarding the physical inventory and accounting of the transaction. Two records are usually kept of materials and other goods received, issued or transferred, namely, on Bin (or Stock) Cards and in the Store Ledger

Bin Cards: For each kind of material, a separate record is kept on Bin Card which shows details of quantities of each type of material received, issued and on hand each day. A typical Bin Card is shown in Figure III. The Storekeeper maintains the Bin Cards up-to-date and usually in duplicate. One card is attached to each bin on shelf containing the material and record remains with the storekeeper for reference. Some firms use the KARDEX System in which a Kardex is prepared and updated. Bin cards are also used as a check on the stock ledger accounts in the material accounting division.

b) Stores Ledger: It is identical with bin card except that here money values are shown. The store ledger may be maintained by a separate material accounting department. The entries regarding the materials ordered, received and issued are made from the purchase order, receiving section report and the material requisitions respectively.

Issue System This is the last stage in the stores system. Issues can be of two kinds, i.e., issues to consuming departments, and issues to outside supplies for processing. In both the cases there are certain common requirements. The control of issues is regulated by production programmes. Based on the programme and the bill of materials work orders are prepared, listing for each material quantity to be issued and the corresponding quantity of the component to be manufactured. Any material requirement over and above indicated in the work order quantity means excessive wastage and scrapping. Usually, the junior stores personnel are not authorized to issue beyond the work order quantity which brings an inbuilt control. Normally, two copies of the work order or Material Requisition Form are prepared by the foreman or concerned manager which are forwarded by the storekeeper to material accounting division for pricing and entry in store ledger. One copy is retained there and the other is returned to the originating department, where it is used as the basis for a charge to the appropriate production order: Adhoc material requisitions are sometimes made. Periodically consolidated statements of such items must be prepared. When issues are made to outside supplies, controls have to be more formal and adequate enough to take care of payments and claims.

8.2.9 STORE ACCOUNTING AND VERIFICATION SYSTEM

Stores Accounting Systems Stores accounting is important from the point of view of estimating the cost of the product for pricing decisions. The costing of material has to be done both for the materials consumed in the production and estimating the value of materials held in stock. For the purpose of costing the receipt of materials, the factors that should be included are material price, freight charges, insurance, duties, taxes, packaging charges etc. The prices quoted and accepted in purchase order may often be stated in various ways such as net prices, prices with discount terms, free on board, cost, insurance, freight, etc. All these factors should be appropriately accounted while costing for the incoming materials. Another important accounting is to be done for the issue to production and of the stocks held at the end of accounting period. Let us discuss some of the important and frequently used system for this purpose:

a) FIFO System: This system known as First in First Out System is based on the assumption that the oldest stock is depleted first. Therefore, at the time of issue the rate pertaining to that will be applied. There is no `profit' or `loss' in the pricing arrangements. The value of the stocks held on hand is the money that has been paid for that amount of stock at latest price levels. In case of too many changes in price levels the FIFO System becomes unwieldy. Another limitation of this system is that it fails to provide a satisfactory answer to costing-returns from stores.

b) LIFO System: This system known as `Last in First Out' System is based on the assumption that the most recent receipts are issued first. As the latest prices are charged in this system, it leads to lower reported profits in the periods of rising prices and this offers savings in taxes. In case of wide fluctuations in prices this system tends to immunize unrealized gains or losses in inventory. It has almost the same limitations as that of FIFO System.

c) Average Cost System: This is based on the assumption that issues to production department are equally made from different shipments in stock, i.e. an average cost of shipment in stores is charged. It stabilizes the cost figures. The average is to be calculated by dividing the total cost with the number of items and is to be updated with every new purchase.

d) Market Value System: This is also known as replacement rate costing, in which the materials issued are charged the prevailing market rates. This system underestimates the stock on hand in the case of price increase, whereas it overestimates the stock on hand in the case of price decrease. This may in turn lead to writing off huge amount to make it realistic. Moreover, a continuous monitoring of the market rates for all materials makes the system cumbersome.

e) Standard Cost System: In this system a detailed analysis of market price and trends is carried out to determine a standard rate for a fixed period, say six months or so. This standard rate is charged to materials issued during this period irrespective of the actual rate. After the period is over the standard rate is reviewed and updated. This system reflects the efficient use of materials as the fluctuation in rates is not considered in accounting. Moreover, it adds to clerical efficiency as the fresh rates are not to be obtained every time. However, similar to Market Value Approach, this also leads to underestimating or overestimating stocks on hand in case of rising and falling prices respectively.

f) System of Costing the Closing Stock: The general guideline for this purpose is to use market price or stock at cost, whichever is less. The cost of closing stock is governed mainly by price units, obsolescence and deterioration. In rare cases the stock may appreciate with time. Appropriate formulae to account for these factors should be developed keeping in view the past experience.

Stock Verification Systems

Some discrepancies between the actual and the book balances of inventories are bound to occur despite the diligent store keeping. The process of stock verification is carried out for following purposes:

To reconcile the store records and documents for their accuracy and usefulness,

Identification of areas deserving tighter document control,

To back-up the balance sheet stock figures, and

To minimize the pilferage and fraudulent practices. Most companies keep an "inventory short and over" account to absorb such discrepancies, which is eventually closed into the manufacturing overheads account. Some of the systems of physical stock taking are as follows:

a) Annual or Periodic Physical Verification: In this system the entire inventory is physically verified at the end of a period, usually the accounting period. That is, normally at the end of fiscal year. Stocks are closed for a few days. This may necessitate the shutdown of production operations;.' the activities such as repair and overhaul of equipment and machinery are resorted to. A special crew of store inspectors and stores verifying officers, usually from the material audit, physically check each item and compare the entries on bin card and stores ledger. This leads to the formation of a list of surplus or short items. Damaged and obsolete items are traced and recorded. This needs to develop a detailed programme and schedule to complete the verifications, store wise and item wise. Top management's sanction can then be sought for writing off deficiencies or valuing surplus. As all the items are checked at one time there can be no confusion about any item being left unchecked.

b) Perpetual Inventory and Continuous Stock Taking System: In case of large firms dealing with a large number of items the final inventory system may take a lot of time and it may not be possible to shut down the whole plant. The perpetual inventory system is a more appropriate method for large plants. In this method the stock verification is done continuously throughout the year. Different methods are adopted by different firms for continuous verification. Some firms divide the whole inventory into fifty-two equal parts. Each part is verified every week. Some firms record store balances after every receipt and issue, and a number of items are counted daily or at frequent intervals and checked with the bin cards and stores ledger. Discrepancies found, if any, owing to incorrect entries, breakage pilferage, over-issue, placing of items in wrong bins, etc., are investigated and corrected accordingly. The significant advantages of this system are as follows:

i) The shutdown of the plant is not necessary for stock checking/taking.

ii) The method is less costly, less tiring, less cumbersome and hence is more accurate.

iii) Discrepancies and defects in stores are readily detected and are not carried over throughout the year. This prevents damages and losses.

iv) Slow moving stocks can be noted and proper action can be initiated in time.

v) The stock items are kept within the limits.

c) Low Point Inventory System: Some companies take the physical inventory, i.e. the stock level of stores is checked generally when it reaches its minimum level.

8.3 RETAIL STORE OPERATION MANAGEMENT

With hundreds of tasks to perform daily, retailers need insight into day-to-day operations at the store level. Unfortunately, many retailers rely on paper-based systems and word-of-mouth communication, which can result in incomplete tasks, strained management, and increased costs. Retail operations management solutions built using the 2007 Microsoft Office system can provide corporate managers with the tools they need to collaborate with their stores and focus on high-value tasks, enabling better insight into operations. Situation Retailers struggle with corporate oversight and compliance requirements in the day-today operational tasks at the store level. Many current systems are paper-based and heavily dependent on store and department managers for tactical execution, with little feedback to corporate management. This inefficiency can result in overworked managers and staff, low customer satisfaction, and confusion at the store level-all of which can increase operating costs. It can even generate high profile class-action law suits. A retail operations management solution provides a collaboration portal to the store level that allows the assignment and tracking of day-to-day operations in real-time, and can allow for task management to the associate level through the use of point-of-sales (POS) terminals and/or kiosks. Retail operations management teams typically face the following challenges: Insufficient visibility and insight into marketing, merchandising, and operational tasks poor communication and accountability between corporate offices and retail stores delayed task execution and under utilization of employee resources Reduced floor visibility of store, departmental managers solution retail operations management solutions built using the 2007 Microsoft Office system can improve operational efficiency and enable collaboration between corporate offices, retail stores, and associates, resulting in increased business insight, improved governance, and better focus on high-value tasks. A solution based on the 2007 Microsoft Office system can help deliver:

Effective Communication Channels

Key information and tasks are communicated electronically real-time voice and data communication enhances collaboration between corporate offices, district locations, and retail stores managers can receive alerts and notifications on their mobile devices.

Benefits

By adopting a retail operations management solution based on the 2007 Microsoft Office system, companies can attain the following benefits: reduced learning curve and training costs with simple and familiar interfaces, efficient task management at the associate level. Easy customization of roles-based dashboards. Data aggregation for effective business reporting.

8.4 CONCLUSION

The stores play a vital role in the functioning of company. The main function of a store in a construction site is to provide un-interrupted supply of items to help meet the schedule of the project. Storage system can be viewed broadly from three classified systems approaches, i.e. management of receipts, issue control and stores documentation. Well-designed storage system not only matches present requirements with the existing supplies, but also take care of the future growth potential and demands. It is, therefore, important that the system should be flexible enough to change with the changing environment and demands.

The storage system forms the key component of any materials managements system . the efficient planning and design of the store system is very much important for the efficient and smooth operation of any plant. Due consideration should be given to the design of the store system of both physical and information processing. The stores system closely interacts with other sub-systems and these interactions must be clearly understood and interpreted. Efforts should be made to incorporate the latest developments in the area of stores management so as to provide the right kind of service at the right time with adequate preservation of the items and minimum blockage of capital.

8.5 CHECK YOUR PROGRESS

1. Which store accounting system is based on the assumption that issues to production department are equally made from different shipments in stock?

a. LIFO

b. FIFO

c. Average Cost System

d. Market Value System

2. Bin card is a document that records

a. Quantities only

b. Value only

c. Quantities and values both

d. None

3. Which store system has lower transportation cost?

a. Centralized System

b. Decentralized System

c. Both a and b

d. None of them

4. Efficient stores management is vital to ensure that

a. good production and profits are maintained

b. delay in issuing materials will slow down the production

c. fewer items will be issued and used, so money will be saved

d. customers will not need to return for further supplies.

8.6 SUMMARY

Responsibilities of store management are "to receive materials, to protect them while in storage from damage or unauthorized removal, to issue materials in the right quantities, at the right time, to the right place, and to provide these services at the least cost." Effective Storage of goods is vital to the success of any organization and efficient management of stores leads to higher productivity, fewer delays and lower overall costs

8.7 KEYWORS

- **Store Management:** It refers to the efficient management of materials. It ensures that all the various activities involved during the process of storekeeping are carried out economically and efficiently.
- **Retail store manager:** The retail store manager is an individual who oversees the daily operations of a retail establishment
- **Store Accounting System**: Collection of relevant data for estimating the cost of the product for pricing decisions.

- **Stock Verification System**: A check of the actual items in stock physically in the store with those in the record books.

8.8 SELF ASSESSMENT TEST

1. Who is a store manager? What are its responsibilities and strategies to become successful?

2. Explain store accounting and verification system as a part of store management?

3. What are the different aspects of store Management?

8.9 ANSWERS TO CHECK YOUR PROGRESS

1. C

2. A

3. B

4. A

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Subject: Retail Management	
Course code: BC 606	**Author: Dr. Rajat Singla**
Lesson no. :09	**Vetter: Prof. Rajiv Kumar**
SECURITY ISSUES IN RETAILING	

9.0 LEARNING OBJECTIVE

- To understand the concept of Information Technology
- To understand the importance of Information Technology in Retailing
- To get the knowledge of various securities issues in Retailing

9.1 INTRODUCTION TO INFORMATION TECHNOLOGY

IT or information technology refers to the development, maintenance, and use of computer software, systems, and networks. It includes their use for the processing and distribution of data. Data means information, facts, statistics, etc., gathered together for reference, storage, or analysis.

The word technology on its own refers to the application of scientific know how for practical purposes.

According to Information Technology Trends in 2019:

"Information technology refers to anything related to computing technology. The Internet, for example, comes under the umbrella term IT. So does computer hardware, software, and networking."

Software includes all the computer programs, codes and instructions, within a computer. Computers do not work without software. Hardware, in this context, refers to the physical components of a computer system. The screen (monitor), mouse, and motherboard, for example, are hardware items. IT involves installing, organizing, and maintaining computer systems. It also involves designing and operating databases and networks. The branch of technology dealing with the practical, especially the business and industrial, uses of computer and telecommunication systems.

Information technology (IT) refers to everything that businesses use computers for. Information technology is building communications networks for a company, safeguarding data and information, creating and administering databases, helping employees troubleshoot problems with their computers or mobile devices, or doing a range of other work to ensure the efficiency and security of business information systems.

The phrase "information technology" goes back to a 1958 article published in the Harvard Business Review. Authors Harold J. Leavitt and Thomas L. Whisler defined several types of information technology:

- Techniques for the fast processing of information
- The use of statistical and mathematical models for decision-making
- The "simulation of higher-order thinking through computer programs."

"While many aspects of this technology are uncertain, it seems clear that it will move into the managerial scene rapidly, with definite and far-reaching impact on managerial organization,"

9.2 CONTENTS UNDER INFORMATION TECHNOLOGY IN RETAILING

9.2.1 NEED OF INFORAMTION TECHNOLOGY IN RETAIL

Speed, agility and efficiency are expected of today's retail businesses. To achieve this, retailers should invest in an electronic inventory control system, a central database, a point of sales system and an automated statistical forecasting system. These tools don't simply reduce your overhead and improve your planning. They've become essential tools that can provide you with a competitive edge to thrive and grow in the market. So one must have a proper IT set up in order to have a better control on the business and have a much more efficiency in the business. The need of IT in retailing can be better understood with the following points:-

1. It helps in reducing inventory costs

An inventory control system is now a basic tool for retail management. It allows you to know what merchandise you have on hand and on order, and how many of each item you have received and sold. Once setup, these systems automatically update your database when products sell or move from one location to another—from a warehouse to a store, for example. They also provide a variety of instantaneous data analysis tools to keep track of your business.

Once online, every aspect of your stores' performance is at your fingertips. Select and view products by cost, price, margin, first or last date sold, date received or UPC codes. In minutes you can create new categories with hundreds of subcategories of style, size or color.

2. To improve customer satisfaction

Customers expect you to be able to tell them if you have a product in stock or on order. They don't want to wait while you wander through the storeroom or phone the warehouse.

Having an electronic inventory system allows you to answer customer questions with just a few keystrokes. You can also check the inventory held by different stores if you have multiple locations.

3. To automate your inventory control

Electronic inventory control can eliminate over-ordering and under-buying by referring to each store's sales history to calculate the optimum stock levels for each item. You tell the system how many days of supply you prefer—which you can modify, for example, according to the season—and the system will look at past sales patterns to determine when you need to re-order.

Your system can also perform "open to buy" calculations that tell you how much to spend on particular store categories for maximum return. The system takes past sales cycles, such as seasonal variations, into account. You may also query the system to determine what the order should be if sales rise or fall. This information tells you:

- how much you should invest in inventory from month to month;
- how much inventory you need to order to keep up with expected sales without going overboard and tying up excess capital;
- how merchandise to keep flowing into the store throughout the season;
- which items are 'hot' and which are not, and their respective manufacturers; and
- what are your best-selling stores and who are your best individual sales staff.

4. To facilitate inventory control

Internal theft and pricing errors can eat up about 4% of retail inventory. A portable terminal offers much greater speed and accuracy than manual counts.

The system immediately flags discrepancies with recorded inventory levels and verifies pricing, making it easier to detect pricing errors and missing merchandise on the spot.

5. To Keep track of your margins

Your inventory control system can suggest pricing and markdowns within your pre-set parameters, and/or track your margins based on the prices you enter. It will also ensure you are always aware of gross margins.

Even with special pricing offers, you never lose track of your margins. You can establish different pricing for different stores across geographic regions, for instance, and for preferred customers such as employees or major buyers. You can also pre-set markdowns for end-of-season or other sales. The system continues to track gross margin, including the effects of markdowns and preferred pricing.

6. To Improve your forecasting

Automated statistical forecasting systems create far more calculated and accurate demand forecasting.

Past sales data, forecasts, and future orders are all on one system. As a result, more accurate forecasts can be made based on the totality of this information.

Forecasting systems can reach the desktop of every line manager, bringing chain-wide input (if appropriate) into the process through interactive Web-based applications. Forecasts can then be further adjusted, taking every aspect into account. Automation facilitates fast projections and scenario planning.

7. To adopt a just-in-time relationship with suppliers

Forecasting tools work in tandem with a central database, inventory control and sales systems to tie purchasing more closely to actual customer demand. The result is an opportunity to reduce inventory and adopt a just-in-time relationship with suppliers.

9.2.2 METHODS/ TECHNIQUES OF INFORMATION TECHNOLOGY USED BY RETAILERS

In order to set up a complete system of IT in retail business one need to use some instruments/techniques in the business. Some of the techniques/instruments are as under:-

1. Computers

In retailing, therefore, where computers are used, they are usually applied to clerical activities, such as wages and salaries, recording physical movements of goods into stores, warehouses and, in transit, monitoring progress on purchase orders, doing accounts, etc. The department store's twin characteristics of a wide range of merchandise and a high level of customer service compel it to react quickly to a constantly changing and a more sophisticated customer base. The customer also looks for service - credit, delivery, and after sales. Originally computers were used in department stores only for payroll and purchase ledger. Now the objective is to run the entire trading operation round an integrated computer system. It is primarily in the area of conveying timely and accurate information to executives responsible for taking decisions, that computers are making the greatest impact on the department store trade.

2. Wireless technology

Retailers face serious challenges and opportunities as consumer shopping behavior and expectations evolve. To overcome today’s challenges and remain relevant in the digital era, smart retailers are turning to technology to provide a more personalized, convenient, and immersive experience, one that moves seamlessly between the online and offline worlds. One of the simple example is walkie taikei that is used by various retailers in order to have better management of the store.

3. Biometric System

The retail industry is one of the most dynamic sectors employing a large number of people. From customer representatives to order fulfilment executives, retail stores require employees to be distributed over a large area. This requirement poses challenges such as attendance maintenance of all employees & several other compliance issues. Most retail brands have their store’s distributed over a large geographical network, employing a varying number of people. While the traditional attendance system like card punching machines offer a solution that is not efficient at protecting against problems like buddy punching.

To overcome these challenges, the retail market is embracing modern-day biometric attendance systems. As these attendance systems allow for faster, secure and efficient business operations, they can benefit any retail store. If you still haven't adopted a biometric attendance system for retail, you must have your questions and doubts about their effectiveness.

4. Bar Code Technology

Barcodes are applied to products as a means of quick identification. They are used in retail stores as part of the purchase process, in warehouses to track inventory, and on invoices to assist in accounting, among many other uses. The concept behind barcodes is that they encode information about a specific product and even a batch of products. So, for example, if you have a box of shoes, the package itself will have a different barcode to the ones on the individual pairs of shoes.

The reason for this is that the two different items share entirely different pieces of information. For the shoes, the barcode will contain information about the country it was issued, the manufacturer, and the product itself. However, for the box, the data will most likely consist of where the shoes were packaged, where they are going, and a tracking number so that the distribution line can quickly identify them. When looking at barcodes for retail products, the two most common forms of barcodes used are UPC, or a Universal Product Code, barcode and a Code 128 barcode. The two are incredibly similar, but their uses are entirely different.

5. Database management system

A database management system (or DBMS) is essentially nothing more than a computerized data-keeping system. Users of the system are given facilities to perform several kinds of operations on such a system for either manipulation of the data in the database or the management of the database structure itself. Database is a collection of inter-related data which helps in efficient retrieval, insertion and deletion of data from database and organizes the data in the form of tables, views, schemas, reports etc. For Example, university database organizes the data about students, faculty, and admin staff etc. which helps in efficient retrieval, insertion and deletion of data from it.

6. Electronic security system

Electronic Security refers to any electronic equipment that could perform security operations like surveillance, access control, alarming or an intrusion control to a facility or an area which uses a power from mains and also a power backup like battery etc. The followings are some types of electronic security system:-

- Closed-circuit television (CCTV) is the use of video cameras to transmit a signal to a specific place, on a limited set of monitors. It differs from broadcast television in that the signal is not openly transmitted, though it may employ point to point (P2P), point to multipoint (P2MP), or mesh wired or wireless links. Though almost all video cameras fit this definition, the term is most often applied to those used for surveillance in areas that may need monitoring such as banks, stores, and other areas where security is needed.
- Automated Access Control Systems (AACS) regulate access to areas by interfacing with locking mechanisms. The system will only allow entry after the credentials of the prospective visitor are verified; examples of such a system would be doors that require pins or biometric information to allow entry. These systems are not only capable of allowing or denying access but can also keep a log of all attempts to enter the secure area they may even alert authorities of unauthorized attempts to gain entry. it provides detection and audit to limit who can go where. They can be combined with assured physical barriers to provide delay into a secure site or can be used with demarcation barriers i.e. half height gates, to provide the only detection.
- Intrusion Detection Systems (ID) is a device or software application that monitors a network or systems for malicious activity or policy violations. These are systems that, use sensors to detect any breaches to the secured area, if any breaches are detected then they trigger an alarm of some sort. This system consists of two components, the sensor and Premise Control Unit (PCU) which monitors the status of the alarm system and transmits the information to a remote monitoring station. The PCU also allows authorized personnel to activate or deactivate the system. Sounds familiar? It might as this is the type of system used in Home Security Systems, with the keypad being the PCU.

7. Electronic Article Surveillance

Electronic article surveillance (EAS) is a type of system used to prevent shoplifting. If you've ever been to a store and heard an alarm when somebody was exiting you've seen the EAS system in action. The system is designed to detect unpaid items in people's pockets or bags as they are leaving the store. It typically consists of two components: the EAS antennas and EAS tags or labels.

EAS antennas, sometimes called pedestals, are commonly installed at store entrances. EAS tags and labels, on the other hand, are attached to the merchandise to be protected. EAS antennas send and listen to signals at a specific frequency, usually within a range of six to eight feet. When an EAS tag or label passes between the antennas, it is detected and the store alarm is activated. To prevent unnecessary alarms, store cashiers remove or deactivate EAS tags and labels at the point of purchase.

9.2.3 ADVANTAGES OF INFORMATION TECHNOLOGY

There are numerous advantages of IT in retail sectors. Some of the advantages are as under:-

1 - It Improves Production Facilities

Fast fashion and affordable products are cool. The prices enable shoppers to get what they want whenever they want it. The quality is acceptable for the price, and they always get to look fashionable. However, consumers are increasingly worried about the working conditions in manufacturing facilities. Thanks to technology that gives real-time information about the conditions in work facilities, manufacturers can invest in constant improvement of labor standards. This is something that consumers care about, but it's also the right thing to do.

2 - Social Media Makes Marketing Easy

It's not as easy as sharing a post and expecting an avalanche of customers in your store. Social media marketing requires careful planning. You'll need to share high-quality content that sets your business apart from the competition. But thanks to the best essay writing service on the web, you can get that part covered without any effort. Through social media, you can share promo codes, information about special events, and great photographs that will draw people towards your business.

3 - You Can Go Paperless

Many consumers prefer to get a digital receipt instead of a printed one. They care about the environment and they will support any eco-friendly choice you make. If your business goes paperless, you'll save money and you'll organize your files much more effectively.

4 - Technology Makes Your Store Energy Efficient

Smart thermostats, sensors, and LED lights require a significant investment. However, they will also save you hundreds of dollars on a monthly basis. A report by McKinsey & Company showed that utilities consume around 10 percent of the total operating costs for retail stores. That's a significant expense you can reduce thanks to technology.

5 - Virtual Reality Shopping Is the Future

Maybe this is not something that the majority of retail stores can afford, but VR is definitely making progress in the industry. Shoppers are always looking for new, more unique ways to shop. Trying on items virtually saves them time and makes the experience more fun.

6 - You Can Offer Mobile Coupons While People Shop

The Target App is a nice example of how this works. Loyal customers are often unaware of all promos and sales a brand offers. If they have an app that informs them about special offers while they are in the store, they will be aware of the best deals. Target customers can use their app to scan a code on an endcap; then, the account code is shown at the checkout and they get their discounts.

7 - Technology Makes Forecasting Possible

Retail businesses can't work well without proper forecasting. You have to figure out what your shoppers want and what the future trends will be. That's how you'll effectively plan the supply chain.

Forecasting systems analyze big data for you and deliver a readable report. If you only get big data and you don't have time to analyze it, you can get a business report from UK-Dissertation.com. Either way, technology and online services facilitate the forecasting and supplying processes.

8 - Tablet Enclosures Are Great for Getting Direct Feedback

If you feature tablet enclosures at the exit, it will be easy for you to collect feedback from real shoppers. It's great to catch them right after their shopping experience. If you save the feedback request for email, most customers won't even open the message. Even so, most of the ones who open it won't bother answering the questions. iPad and other tablet enclosures make it easy for people to tap an answer on the exit. You'll collect plenty of comparable data, so you can evaluate and improve the performance of your business.

9 - Omnichannel Shopping Boosts Your Sales

Does your business have retail, wholesale and manufacturing operations? If that's the case, an online platform that gives access to all products will be highly beneficial. A single store doesn't have all the products in every single size. You can offer shoppers pick up in store or ship to home options online, and they will get the purchases the same or next day.

10 - Technology Speeds Up the Shopping Experience

You can also offer "shop and collect" options, buy online pick up in store (BOPIS) and buy online ship to store (BOSS), to your shoppers. They can go through your website, choose and reserve their items. You'll prepare them, and the package will be waiting at the store when they come to collect it. Some shoppers don't like waiting for delivery services. They would rather pick up the package, since they are more confident they will safely transport it. Maybe they are never at home, so the delivery cannot be arranged. If they can come by your store on their way home and collect the package, they will be grateful for the convenient service.

9.2.4 DISADVANTAGES OF INFORMATION TECHNOLOGY

Though information technology possess a lot of advantages to the retailers but it also has some disadvantages which are as follows:-

1. Online socializing:

In most offices, using online social websites like Facebook, Twitter, and Instagram is restricted. This is because these are types of addiction websites that waste your time.

2. Expensive machines:

If you want to use the latest technology for your business then buying latest tools is expensive for startup businesses. For example using cameras, high-speed internet and computers, printers, scanners are expensive.

3. Reduce the talent of employees:

If your employees are using software for completing daily tasks then their mind will not grow and they stick with the daily routine. Employees will not get a challenge in their work and their talent will not grow. If employees do email replies and communication online on daily basis then they feel trouble in having face to face communication. This is because for face to face communication you need extra communication skills.

4. Business dependent on online:

Some type of businesses is mostly dependent on internet connection. So if there occurs any problem on the internet then their work stops working. Also if you store most of your data on computer and your computer gets any problem then daily work is stopped. So you have to train your employees to work also if internet disconnects or computer gets any problem.

5. Data can be stolen:

If your business is online there are chances that some hackers can steal your data. There is also chance that any of your employees leak your company important information like emails of clients.

6. Spyware and Personal Information

The most common issue is spyware that steals personal and private information from customers or employees. The information is then stored and used at will by hackers for fraudulent purchases or identity theft. A security risk is something as simple as an employee smartphone that is lost or stolen, which contains access to company programs and information.

7. Increasing Data Regulations

Information is big business in the modern world. As a result, protecting data and using it ethically are of top priorities to lawmakers and regulatory authorities. Business owners can't be naive to what is involved in protecting client data. Some industries are more heavily regulated than others, such as the healthcare and financial services industries, because in their everyday business activities, these industries collect sensitive and private information from clients and patients.

However, just because you run a toy store doesn't mean you aren't subject to regulations. How you handle email lists; how you confirm the age of the people you collect information on; and how you handle credit card information, is all regulated. Being prepared and having standard protocol is essential for protecting your clients and your business.

9.2.5 PROBLEMS FACED BY RETAILERS IN RELATION TO SECURITY

Security is one of the major concern now a days in case of retail industry. Various types of losses are to be faced by the retail industry because of lack of security. Some of the major security issues that normally a retail industry faces are as under:-

1. Shop Lifting

One of the major concerns of retail malls is "Shoplifting". Shoplifters use different shoplifting techniques for the theft. It is done deliberately with the intention of robbing the possessor for that particular piece of property that has been stolen from the retail establishment. Another term used for shoplifting is-Retail Theft. It is considered as crime and could lead to even jail term and legal action for the shoplifter. Police and courts consider it as one the most common crimes. Shoplifters by and large are categorized in two categories- professional and non-professional. Professional shoplifters even make their living from shoplifting, they operate either individually or in groups, some do it only for pleasure. Malls are easy targets and favourite destination for shoplifters.

- **Preventive Steps for Shoplifting**

Retailers now-a-days use different technologies to prevent shoplifting. In larger malls video cameras are spread across the whole mall also undercover sales person posing as customers are employed to keep out a watch on suspected customers. Also computer chips are fixed on the items which is not visible to customers and if somebody steals leaves the store without billing it raises alarms at the exit doors. Some of the preventive measures which are used in order to curb shoplifting are as

a) Closed Circuit Television

It is the one of the most common method of preventing shoplifting. Here closed circuit television is installed for the security officer where he can observe the happenings inside the store.

b) Covert Closed Circuit TV Cameras

Covert cameras are the latest invention to prevent loss or theft. These cameras are very small in size, could be easily removed from one place to another. Generally they cannot be spotted by an average customer or sales staff also.

c) S.R. NO.

To give serial numbers to items is done by large retailers. This method makes easy to keep record of what items have been stolen and track down the merchandise if brought back by the police.

d) Electronic Screening of the item

In this method security tags are attached to the garment and when the customer leaves the store without screening of the garment it raises alarm at the exit. This is also one of the most popular method to prevent shoplifting.

e) Electronic Journals

This method is used generally by most of the big retailers and malls. Electronic journal keeps the record of all transactions of the store. It keeps the track record of information such as refunds, credit card details, billing details, numbers of the gift card, etc. This measure also helps in keeping a check over the shoplifting also.

f) Dual- way radio sets

It is the one of the most common devices used by department of loss prevention. It helps two- man teams to follow the suspected customer and call for help in case a shoplifter is caught.

g) Ink filled Tags

It is one of the oldest preventive measure used by garment retailers. Specialized equipment is required to remove the ink tags from the garment .If they are removed forcibly would spill permanent ink on the garment thus spoiling it. Thus makes easy to spot that the garment was being stolen by the customer.

h) Dual Resonator Electronic Stickers

These stickers are generally attached to small items like medicines, toothbrushes, etc. The stickers are printed on a thin piece of paper and are not easy to remove. The sticker contain company's logo.

i) Money Back Cheques

This method keeps a check on the suspected customers who come for refund for an item purchased without the receipt. If the customer returns back the item he/she will not get cash in return but would receive the cheque in the mail. If the customer is a fraud he/she will not ring up the store to enquire about the not receiving their cheque through the mail.

j) Other Methods

The store should be designed such that the shopkeeper could see the various activities going on in the store. The counters should be constructed low uptil waist height. Place mirrors in corners. The expensive items should be placed in the center area of the store and far from the exit. Smaller items should be displayed in patterns and neatly. The retailers should announce their policy for prosecution for shoplifters.

2. Theft by Employees

A global study of retail theft found that employees who steal from retailers average $1,890.00 in theft, while the average shoplifter will only take about $438. That's pretty shocking. Of course, it should be emphasised that it is only a small minority of your employees who will actively steal from you. ***(Source: - https://www.nra.net.au/policy-advocacy/safe-retail/internal-theft/)***

Types of employee theft in retail

There are numerous ways an employee can actively steal from a retailer these days, but here are few main ones:

- Stealing products

Employees might steal products from you, whether to keep for themselves or to sell somewhere on the internet. One classic method for stealing products is to hide something in the trash when they take it out, which they will retrieve from the dumpster later. Employees may also hide small items on their person or in their bags.

- Gift card theft

Gift card theft is very popular these days, largely because it's difficult to detect. There are various methods to pull off this scam, but typically, employees will issue fake refunds to gift cards they will keep. They may also give a customer purchasing a gift card a blank gift card while keeping the loaded one. This form of fraud is dangerous.

- "Sweet hearting"

"Sweet hearting" is when a cashier will opt to not ring up goods that a friend or family member wishes to take from the store. It can also be when a cashier falsely gives their store discount to their friends or family members.

- Identity theft

This final method of internal theft may not be directed against the store, but is within the same grouping of activities and could cost your store its reputation. Retail employees have ample opportunities to steal customers' identities. An employee may have hundreds of opportunities a year to keep a customer's SSN and credit card information.

- Skimming

Employees have been skimming off the top of the cash drawer for years. Employees who know that you won't care about a discrepancy of a few dollars in the cash drawer may take advantage of you by slowly skimming quite a large amount of cash over time.

Why do employees steal?

There are likely as many reasons as there are thieves but often, it's a disgruntled employee. Perhaps they're stealing for revenge on the store for some reason. Perhaps it's because they think they deserve a raise that they haven't gotten. Perhaps it's because they are in a bad way financially and really need help. But not all employees steal for these reasons either. Some, like those who participate in "sweet hearting," may believe that they're just helping out a friend with their employment perks. Some, may not even realise that they're actually stealing from the store.

How to prevent internal theft?

The first thing to know is that it's best to simply prevent these situations from happening. Once an employee is actually stealing, it can be a tricky situation to handle. It can even be a dangerous situation for the person who confronts the thief.

- Run background checks on all new employees.

Running a background check is a fairly standard process that will help you weed out any clear bad eggs up front. Mikal E. Belicove from Forbes has some good tips: He suggests that while you do use background checks, don't use "the box." That means, don't ask someone if they have a criminal background on their paper application just to weed people out. Conduct interviews first and get to know someone first to avoid unnecessary discrimination.

- Be consistent and run the same process on each applicant.
- Look for patterns, rather than a single good or bad act.
- Use a professional agency.
- Ensure that all employees are well-trained on policy to prevent accidental loss.

As previously mentioned, employees might make mistakes on the job. Whether it's entering the wrong number of inventory or giving the wrong discount, mistakes happen and they can really add up.

- Work with your employees so that they know your policies and check their work.
- Institute modern inventory management and POS software to make it easier to monitor for discrepancies.
- You certainly could audit receipts every day or week or month to try to discover patterns of loss in your store. But you could also just implement a modern inventory management and POS system that will pull reports for you every day. These reports will make it easy for you to notice patterns (like if the cash register has been consistently down a few dollars) and will make it noticeable when you do inventory checks what exactly is missing.
- Count your cash drawers every day.

You do want to count your cash drawers every day to keep full tabs on how much cash is in them at all times. Running these counts will deter skimming and help you detect it, as well.

- Use a buddy system for the trash.

Given that the trash is a popular method for employee stealing, have your employees take the trash out together. Thieves are less likely to try to stuff something in the trash bag when someone is there watching them.

This tip is a doubly good, too, because having two people take out the trash is typically safer than having one person take out the trash.

- Have employees check each other's bags before they leave for the day.

This tip is a bit awkward, I know. Whenever an employee left the store, the manager on duty would check their bag before they left. At closing, the employee left with the manager would also check the manager's bag. It was always a bit awkward to hold your purse out and let someone else go through it, and it was always plenty awkward to be the person going through the bag, but it certainly made it more difficult for anyone wishing to walk out with an item in their bag.

- Implement surveillance software.

Surveillance software isn't just video cameras anymore. Now the cameras are equipped with software that can help them detect such activities as "sweethearting" and alert you to the problem. It's pretty incredible. These systems are especially good for documenting instances of employee theft.

- Keep your employees happy.

Happy employees are just better for a business. They're more productive and less likely to steal from you. The retail industry as a whole has not been the best about seeing to it that their employees are happy, but both Starbucks and Costco stand out. Starbucks, for instance, has eliminated the gender pay gap at their US stores and helps pay for their employees' college educations. Costco starts their employees at $11.50 an hour and hires almost exclusively from within. As a small business, you owe it to your employees to provide fair pay (even if you cannot provide Costco-level pay) and to do what you can to provide them with a happy work environment.

3. Inventory Shrinkages

Inventory shrinkage is the difference between a product's recorded stock count and the amount physically on hand. The difference between these two amounts is referred to as "shrink." In a retail setting, this is sometimes called retail shrink. Either way, it means the same thing you're missing inventory you thought you had. Shrink or lost stock can be caused by theft, inventory control issues like receiving errors, unrecorded damages, cashier mistakes, and misplaced items. Some level of shrink is an unavoidable part of retail. It is important, however, that you prevent shrinkage whenever possible to avoid losing money and time.

Shoplifters take advantage of vulnerable and unobserved areas in your store. The spaces between aisles and racks and dressing rooms are a few ideal places to do their dirty work. Businesses that sell high-value, high-demand products are also often targeted by shoplifters. For example, when I managed retail spas, aestheticians had to put away products after finishing treatments and before leaving the room. Before we started that practice, it was common for customers to slip skincare products into their purses or pockets when redressing after a treatment.

Tag swapping is another pervasive form of retail shrink that directly affects inventory numbers and profits. Tag-swappers place a lower-priced item's tag on a higher-priced product and then complete the purchase. This strategy hides the theft initially, but it throws inventory numbers off for both goods. Unfortunately, most retailers detect this during stock counts, long after the fact.

Other types of customer theft, like coupon scams or online fraud, also affect your profits and bottom line but aren't necessarily revealed as missing units. You can spot this type of loss by examining sales figures and discount reports this is where using a robust POS system really comes in handy.

4. Cash Shrinkages

Cash shrinkages is one of the security issue in case of retailing. Normally cash shrinkages occurs when there is a loss of cash or actual cash balance does not match with the cash balance that has to be as per sale of the stores. It is normally done by those persons who have easy access to the cash balance. The main cause of cash shrinkages is because of embezzlement by employees, casualness on the part of cashier while taking the money from customers, low security locks on the cash drawers etc. In order to reduce the cash shrinkages one needs to check the cash balance by himself and whereas he founds any of the deficiency in the security it should be taken seriously and proper mechanism should be employed for that.

9.2.6 WAYS TO OVERCOME THE PROBLEMS WITH THE HELP OF IT

Security issues in retailing can also be resolved by using some techniques of information technology which are as follows:-

1. Wireless technology

Retailers face serious challenges and opportunities as consumer shopping behavior and expectations evolve. To overcome today's challenges and remain relevant in the digital era, smart retailers are turning to technology to provide a more personalized, convenient, and immersive experience, one that moves seamlessly between the online and offline worlds. One of the simple example is walkie taikei that is used by various retailers in order to have better management of the store.

2. Biometric System

The retail industry is one of the most dynamic sectors employing a large number of people. From customer representatives to order fulfilment executives, retail stores require employees to be distributed over a large area. This requirement poses challenges such as attendance maintenance of all employees & several other compliance issues. Most retail brands have their store's distributed over a large geographical network, employing a varying number of people. While the traditional attendance system like card punching machines offer a solution that is not efficient at protecting against problems like buddy punching.

To overcome these challenges, the retail market is embracing modern-day biometric attendance systems. As these attendance systems allow for faster, secure and efficient business operations, they can benefit any retail store. If you still haven't adopted a biometric attendance system for retail, you must have your questions and doubts about their effectiveness.

3. Bar Code Technology

Barcodes are applied to products as a means of quick identification. They are used in retail stores as part of the purchase process, in warehouses to track inventory, and on invoices to assist in accounting, among many other uses. The concept behind barcodes is that they encode information about a specific product and even a batch of products. So, for example, if you have a box of shoes, the package itself will have a different barcode to the ones on the individual pairs of shoes.

The reason for this is that the two different items share entirely different pieces of information. For the shoes, the barcode will contain information about the country it was issued, the manufacturer, and the product itself. However, for the box, the data will most likely consist of where the shoes were packaged, where they are going, and a tracking number so that the distribution line can quickly identify them.

When looking at barcodes for retail products, the two most common forms of barcodes used are UPC, or a Universal Product Code, barcode and a Code 128 barcode. The two are incredibly similar, but their uses are entirely different.

4. Electronic security system

Electronic Security refers to any electronic equipment that could perform security operations like surveillance, access control, alarming or an intrusion control to a facility or an area which uses a power from mains and also a power backup like battery etc. The followings are some types of electronic security system:-

- Closed-circuit television (CCTV) is the use of video cameras to transmit a signal to a specific place, on a limited set of monitors. It differs from broadcast television in that the signal is not openly transmitted, though it may employ point to point (P2P), point to multipoint (P2MP), or mesh wired or wireless links. Though almost all video cameras fit this definition, the term is most often applied to those used for surveillance in areas that may need monitoring such as banks, stores, and other areas where security is needed.
- Automated Access Control Systems (AACS) regulate access to areas by interfacing with locking mechanisms. The system will only allow entry after the credentials of the prospective visitor are verified; examples of such a system would be doors that require pins or biometric information to allow entry. These systems are not only capable of allowing or denying access but can also keep a log of all attempts to enter the secure area they may even alert authorities of unauthorized attempts to gain entry. it provides detection and audit to limit who can go where. They can be combined with assured physical barriers to provide delay into a secure site or can be used with demarcation barriers i.e. half height gates, to provide the only detection.
- Intrusion Detection Systems (ID) is a device or software application that monitors a network or systems for malicious activity or policy violations. These are systems that, use sensors to detect any breaches to the secured area, if any breaches are detected then they trigger an alarm of some sort. This system consists of two components, the sensor and Premise Control Unit (PCU) which monitors the status of the alarm system and transmits the information to a remote monitoring station. The PCU also allows authorized personnel to activate or deactivate the system. Sounds

familiar? It might as this is the type of system used in home security systems, with the keypad being the PCU.

5. Electronic Article Surveillance

Electronic article surveillance (EAS) is a type of system used to prevent shoplifting. If you've ever been to a store and heard an alarm when somebody was exiting you've seen the EAS system in action. The system is designed to detect unpaid items in people's pockets or bags as they are leaving the store. It typically consists of two components: the EAS antennas and EAS tags or labels.

EAS antennas, sometimes called pedestals, are commonly installed at store entrances. EAS tags and labels, on the other hand, are attached to the merchandise to be protected. EAS antennas send and listen to signals at a specific frequency, usually within a range of six to eight feet. When an EAS tag or label passes between the antennas, it is detected and the store alarm is activated. To prevent unnecessary alarms, store cashiers remove or deactivate EAS tags and labels at the point of purchase.

9.3 CASE STUDY

Bama Chain Stores is one of the most successful and best-selling chain stores in Iran. For the stores as large as Bama, a complete and precise surveillance system is crucial not just for reducing the risk of the theft but also for insuring customer safety. The management team`s ultimate priority was to provide a safer and more secure environment for its customers and goods. Located in khorasan razavi, mashhad, one branch of Bama Chain Stores was in need of high quality cameras with wide view-angle to keep an eye on its long goods aisles and corridors in both daytime & nighttime in case of theft or robbery. Moreover, sound recording was also required to avoid some disputes and for effective management to enhance customer services. Thus, the store needed to install a powerful and reliable surveillance system with cameras that are small-sized, provide high resolution and wide-angle images, and equipped with built-in microphone and IR LEDs.

1. **According to you how much important the security is for any retail organisation?**
2. **What type of cameras or other equipment you will suggest to the company?**
3. **Whether expenses on security is a waste or investment? Give your opinion.**

9.4 CHECK YOUR PROGRESS

1. **EDI stands for**
   a. Electronic Data Interchange
   b. Electronic Data Institute
   c. Electronic Data Insurance
   d. Electronic Data Industry
2. **Bar code in case of retailing are very much beneficial for**
   a. checking the specification of products
   b. to judge the quality of the products
   c. to identify the product for billing purpose
   d. to compare the products
3. **DBMS refers to**
   a. Data base management skills
   b. Data base management scenario
   c. Data base management system
   d. Data base management sets
4. **Electronic Article Surveillance is beneficial for**
   a. Prevention of shoplifting
   b. to look the products electronically
   c. to identify the product for billing
   d. for surveillance of employees
5. **Sweet hearting means**
   a. to make sweet products
   b. to be polite with customers
   c. not to ring the bell in case of shoplifting by near ones
   d. to have sweet relations with customers

9.5 SUMMARY

Speed, agility and efficiency are expected of today's retail businesses. To achieve this, retailers should invest in an electronic inventory control system, a central database, a point of sales system and an automated statistical forecasting system. These tools don't simply reduce your overhead and improve your planning. They've become essential tools that can provide you with a competitive edge to thrive and grow in the market. So one must have a proper IT set up in order to have a better control on the business and have a much more efficiency in the business. The various security issues faced by the retailers are also needs to be identified and proper solution must be given in order to have a better security system in the organisation.

9.6 KEYWORDS

- **Security issues: -** It refers to various security issues such as shoplifting, employee's theft, inventory shrinkages etc. in the retail institutions.
- **Information technology: -** IT or information technology refers to the development, maintenance, and use of computer software, systems, and networks. It includes their use for the processing and distribution of data. Data means information, facts, statistics, etc., gathered together for reference, storage, or analysis. The word technology on its own refers to the application of scientific know how for practical purposes.
- **Shoplifting: -** shoplifting is a mechanism which is done deliberately with the intention of robbing the possessor for that particular piece of property that has been stolen from the retail establishment. Another term used for shoplifting is-Retail Theft. It is considered as crime and could lead to even jail term and legal action for the shoplifter.
- **Shrinkages in retail:-** In case of retailing there are mainly two types of shrinkages in case of retail which are inventory shrinkages and cash shrinkages.

9.7 SELF-ASSESSMENT TEST

1. What do you mean by information technology? Explain the advantages and disadvantages of information technology.
2. Define the various techniques of IT which are used in resolving security issues in retail institutions.
3. "IT is one of the best way of resolving the security issues in retail institutions" Do you agree with the statement? Explain your views with suitable examples.

4. What are the cyber threats that can potentially affect the retail business?
5. Describe about Retail management Information System.
6. Discuss about the Importance of IT in Retailing.

9.8 ANSWER TO CHECK YOUR PROGRESS

1. A

2. C

3. C

4. A

5. C

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Subject: Retail Management	
Course code: BC 606	**Author: Dr. Rajat Singla**
Lesson no. :10	**Vetter: Prof. Rajiv Kumar**
FDI- TRENDS OF RETAILING	

10.0 LEARNING OBJECTIVE

- To understand the concept of Foreign Direct Investment (FDI)
- To understand the importance of FDI in Retailing
- To get the knowledge of trends of FDI in India

10.1 INTRODUCTION TO FOREIGN DIRECT INVESTMENT (FDI)

A foreign direct investment (FDI) is a purchase of an interest in a company by a company or an investor located outside its borders. Generally, the term is used to describe a business decision to acquire a substantial stake in a foreign business or to buy it outright in order to expand its operations to a new region. It is not usually used to describe a stock investment in a foreign company. Foreign direct investment (FDI) is a category of cross-border investment in which an investor resident in one economy establishes a lasting interest in and a significant degree of influence over an enterprise resident in another economy. Ownership of 10 percent or more of the voting power in an enterprise in one economy by an investor in another economy is evidence of such a relationship. FDI is a key element in international economic integration because it creates stable and long-lasting links between economies. FDI is an important channel for the transfer of technology between countries, promotes international trade through access to foreign markets, and can be an important vehicle for economic development. The indicators covered in this group are inward and outward values for stocks, flows and income, by partner country and by industry and FDI restrictiveness. In the past decades, FDI was concerned only with highly industrialized countries. US was the world's largest recipient of FDI during 2006 with an investment of 184 million from OECD (Organization for Economic Co-operation and Development) countries. France, Greece, Iceland, Poland, Slovak Republic, Switzerland and Turkey also have a positive record in FDI investments. Now, during the course of time, FDI has become a vital part in every country more particularly with the developing countries.

Foreign Direct Investment (FDI) is considered as a major source of non-debt financial resource for the economic development. FDI flows into India have grown consistently since liberalization and are an important component of foreign capital since FDI infuses long term sustainable capital in the economy and contributes towards technology transfer, development of strategic sectors, greater innovation, competition and employment creation amongst other benefits. Therefore, it is the intent and objective of the Government of India to attract and promote FDI in order to supplement domestic capital, technology and skills for accelerated economic growth and development. FDI, as distinguished from Foreign Portfolio Investment, has the connotation of establishing a 'lasting interest' in an enterprise that is resident in an economy other than that of the investor.

With a view to attracting Foreign Direct Investment (FDI), Government of India has put in place a liberal policy under which FDI up to 100% is permitted under the automatic route in most sectors/activities. Significant changes have been made in the FDI policy regime in recent times to ensure that India remains an increasingly attractive investment destination.

The Department for Promotion of Industry and Internal Trade (DPIIT) under the Ministry of Commerce and Industry, is the nodal department for the formulation of the Government's policy on Foreign Direct Investment (FDI). It is also responsible for the maintenance and management of data on inward FDI into India, based on the remittance reported by the Reserve Bank of India.

DPIIT has been undertaking various initiatives and reforms such as the launching of Make in India, supporting champion sectors and subsectors, setting up of an EGoS and Project Development Cells, creating a GIS based Industrial Information System and National Investment Clearance Cell amongst others. These activities are being supported under the Scheme for Investment Promotion (SIP) launched in 2008. The Government has approved the continuation of SIP, for a further duration of five years (FY 2021- 22 to 2025-26) with a financial outlay of Rs. 9.70 billion, vide Notification dated 29 November 2021. The Empowered Group of Secretaries (EGoS), constituted by the Investment Promotion Section of DPIIT, provides support and facilitation to investors for investing in India and to boost growth in key sectors of the economy.

Project Development Cells have been set up in 29 departments to fast-track investment by facilitating coordination between the central and state governments. The Cells enhance the pipeline of investible projects in India and in turn increase domestic investment and foreign direct investment (FDI) inflows.

The FDI Policy framework is embodied in the Consolidated FDI Policy Circular, as amended from time to time. The currently effective Consolidated FDI Policy Circular was issued by DPIIT on October 15, 2020.

The objective of the FDI Policy is to attract and promote foreign direct investment to supplement domestic capital, technology, and skills, for accelerated economic growth. FDI is subject to compliance with all relevant sectoral laws, regulations, rules, security conditions, and state/local laws/regulations. The sectoral caps for FDI are detailed in Consolidated FDI Policy Circular.

The entry of FDI into India on a commercial scale began in 1875 with initial investments in the field of mining, tea plantation, railways, insurance, generation and distribution of electricity and wholesale and retail trade. Up to August 1947, the policy of the Government of India was one of permitting unconditional and unrestricted inflow of foreign capital due to political dependency. After independence the Government of India's policy with regard to foreign capital was formulated, for the first time, in the Industrial Policy Resolution of 6 April 1948. The government recognized participation of foreign capital and enterprise, particularly as regards to industrial technique and knowledge for rapid industrialization of the economy, from the beginning of Independence period, thrust was on manufacturing sector. Till today, the same sector is a cause of concern for our country as far as exports from this sector is concerned and more FDI needs to be attracted in this sector It is also observed that private foreign capital, particularly of the direct equity type, has a general tendency to avoid sectors such as agriculture, public utilities, social overheads, and to go into only lucrative industries. This is not surprising because considerations such as profit incentives and export and import incentives are generally absent in the case of sectors like agriculture, public utilities, and social overheads. Another reason why private capital is not attracted to these sectors is the fact that most of the projects in these sectors have comparatively long maturity, the waiting period being too much for private investors to bear, low return on investment, and uncertainty of projects. FDI policy of India was more restrictive due to the need to develop local industries. In 1973, the Foreign Exchange Regulation Act (FERA) came into force, requiring all foreign companies operating in India, with up to 40 per cent equity, to register under Indian corporate legislation.

Development pattern of India during the first three decades (1950-1980) after attaining independence in 1947 was featured by strong centralized planning, government ownership of basic and key industries, excessive regulation and control of private enterprise, trade protectionism through tariff and non-tariff barriers and a cautious and selective approach towards foreign capital. It was a quota, permit, and license regime all the way and was guided and controlled by a bureaucracy that was trained in colonial style. This so called inward-looking, import substitution strategy of economic development began to be widely questioned with the beginning of 1980s. Policy makers started realizing the drawbacks of this strategy which inhibited competitiveness and efficiency and produced a much lower rate of growth than expected. FDI policy in this period was not export oriented and was restrictive in nature, which could not result in making balance of payment situation favourable. Thus, measure was taken as a part of structural adjustment programme to make our economy more liberal and norms for FDI were also liberalized.

In July 1991, the first generation reforms created conducive environment for foreign investment in India. This actually started the process of liberalization of FDI policy. One of the measures undertaken was that foreign investment and technology collaboration was welcomed to obtain higher technology, to increase exports and to expand the production base. Many concessions were announced for foreign equity capital in 1991-1992. The foreign equity capital limit was raised to 51 per cent. FDI was allowed in exploration, production, refining of oil and marketing of gas. NRIs and Overseas Corporate Bodies were allowed to invest 100 per cent equity in high priority areas as well as in export houses, hotels and tourism related industries. The most significant step was replacement of Foreign Exchange Regulation Act (FERA), 1973 with Foreign Exchange Management Act, 1999 (FEMA). The object of the Act is to consolidate and amend the law relating to foreign exchange with the objective of facilitating external trade and payments and for promoting the orderly development and maintenance of foreign exchange market in India. Licensing was eliminated, and firms in all but a few sectors were allowed to start operations without government approval. The impact of de-licensing was most evident in sectors like steel, automobiles, FMCG and consumer electronics which witnessed a surge in entry of new firms. Automatic route for FDI is permitted. Except for certain specified activities, no prior approval from exchange control authorities i.e., Reserve Bank of India is required. Many new sectors were thrown open for FDI. At present in India, Foreign Investment is of two types

1. Foreign Portfolio Investment and
2. Foreign Direct Investment.

1. Foreign Portfolio Investment: It is defined as an investment by individuals, firms, or a public body in foreign financial instruments such as foreign stocks, government bonds etc. It does not involve the production and distribution of goods and services. It is not concerned with the control of the host country enterprise. It simply gives the investor, a non-controlling interest in the company. For example, investment in securities on the stock exchanges of a foreign country or under the ADRs and GDRs mechanism.

2. Foreign Direct Investment (FDI): FDI is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident enterprise (foreign direct investor or parent enterprise) in one economy in an enterprise (FDI enterprise or affiliate enterprise or foreign affiliate) resident in an economy other than that of the foreign direct investor. For acquiring substantial

controlling interest, generally 10 per cent or more equity is to be acquired in the foreign firm. The 'lasting interest' implies the existence of a long-term relationship between the direct investor and the enterprise wherein a significant degree of influence is exerted by the investor in the management of the direct investment enterprise.

Types of FDI

- On the Basis of Direction of Investment
    - Inward FDI: Foreign firms taking control over domestic asset is termed as inward FDI. For example, direct investment made by Suzuki, Honda, LG, in India.
    - Outward FDI: Domestic firms investing overseas and taking control over foreign assets is termed as outward FDI. For example, Tata Motors, Infosys, Ranbaxy made investment in foreign assets.
- On the basis of Types of Activity
    - Horizontal FDI: When a firm invests in a foreign country in similar production activity (i.e. similar operation/industry) as carried out in home country. For example, Suzuki's investment in India to manufacture cars.
    - Vertical FDI: when a firm invests abroad in other operations either with a view to have control over the supply of inputs or to have control over marketing of its product. For example, British Petroleum and Royal Dutch Shell have invested abroad in the production of oil (this is an example of backward vertical FDI). Volkswagen has acquired a number of US dealers in order to sell its cars to consumers in the USA (this is an example of forward vertical FDI).
    - Backward Vertical FDI: Direct investment overseas aimed at providing inputs for the firm's production processes in the home country.
    - Forward Vertical FDI: Direct investment overseas aimed at selling output of the firm's domestic production.
    - Conglomerate FDI: Direct investment overseas aimed at manufacturing products not manufactured by the firm in the home country.
- On the basis of Investment Objectives

- Resource-seeking FDI: Major economic determinants include availability of raw material, complementary factors of production and physical infrastructure. For example, Morocco is an investment destination for Tata Chemicals because the country holds 60 per cent of the world's phosphate resources.
- Market-seeking FDI: major economic determinants include, market size, market growth and regional integration. Market-seeking FDI are often favored by MNEs in a large number of durable and non-durable consumer goods, such as automobiles, computers etc.
- Efficiency-seeking FDI: major economic determinants include productivity of labour costs, availability of skilled labour, availability of business related services and trade policy.

- On the basis of Entry Modes
  - Greenfield Investments: Investments in the equity capital of a company abroad for the sake of the management of the company or investment abroad through opening of the branches.
  - Mergers & Acquisitions (M&As): M&As take two forms: one is the acquisition, where one firm acquires or purchases another firm. The former is known as acquiring firm and the latter is known as target firm. No new firm comes into existence after the merger. Second is the consolidation or amalgamation, where two merging firms lose their identity into a new firm that comes into existence representing the interest of the two. The M&A's are either horizontal, vertical or conglomerate.
    - Horizontal M&A's are found where two or more firms engaged in similar lines of activities join hands. This merger creates economies of scale because the size of the firm becomes larger to reap such gains. For example, it two firms manufacturing automobiles merge, it is called a horizontal merger.
    - Vertical M&A's occur among firms involved in different stages of the production of a single final product. If an oil exploration firm and a refinery unit merge, it will be called a vertical integration. It reduces the cost of transportation, and of communicating and coordinating of production.
    - Conglomerate merger or consolidation involves two or more firms in unrelated activities.

10.1.1 ROUTES OF FDI

FDI is permitted either through the Automatic Route or the Government Route.

- **Automatic Route**

No prior approval is required for FDI under the automatic route, only information to the Reserve Bank of India (RBI) within 30 days of inward remittances or issue of shares to non-residents is required. RBI has prescribed a new form, Form FC-GPR (instead of earlier FC-RBI) for reporting shares issued to foreign investors by an Indian company.

- **Sectors in which 100% FDI is allowed through automatic route**
    - Agriculture & Animal Husbandry, Air-Transport Services (non-scheduled and other services under civil aviation sector), Airports (Greenfield + Brownfield), Asset Reconstruction Companies, Auto-components, Automobiles, Biotechnology (Greenfield), Broadcast Content Services (Up-linking & down-linking of TV channels, Broadcasting Carriage Services, Capital Goods, Cash & Carry Wholesale Trading (including sourcing from MSEs), Chemicals, Coal & Lignite, Construction Development, Construction of Hospitals, Credit Information Companies, Duty Free Shops, E-commerce Activities, Electronic Systems, Food Processing, Gems & Jewellery, Healthcare, Industrial Parks, IT & BPM, Leather, Manufacturing, Mining & Exploration of metals & non-metal ores, other Financial Services, Services under Civil Aviation Services such as Maintenance & Repair Organizations, Petroleum & Natural gas, Pharmaceuticals, Plantation sector, Ports & Shipping, Railway Infrastructure, Renewable Energy, Roads & Highways, Single Brand Retail Trading, Textiles & Garments, Thermal Power, Tourism & Hospitality and White Label ATM Operations.
- **Sectors where up to 100 per cent foreign direct investment is permitted under the automatic route are**:
    - Petroleum Refining (By Public Sector Undertakings)- 49%
    - Infrastructure Company in the Securities Market- 49%
    - Power Exchanges- 49%
    - Insurance- up to 49%
    - Medical Devices- up to 100%
    - Pension- 49%

- **Government Route**

Foreign investment proposals not covered under the 'Automatic Route' are considered for Governmental approval by the respective competent authority / Administrative Ministry/Department.

- **Sectors of the Indian economy where up to a 100 per cent is permitted under the approval or government route are:**
    - Banking & Public sector- 20%
    - Mining & Minerals separations of titanium bearing minerals and ores- 100%
    - Core Investment Company: 100%
    - Broadcasting Content Services: 49%
    - Food Products Retail Trading: 100%
    - Satellite (Establishment and operations): 100%
    - Multi-Brand Retail Trading: 51%
    - Print Media including publications, printing of scientific and technical magazines, specialty journals, periodicals and facsimile edition of foreign newspapers- 100%
    - Print Media including publishing of newspaper, periodicals and Indian editions of foreign magazines dealing with news & current affairs- 26%

In case of government route some of the authorities are:-

DPIIT oversees the applications filed on the Foreign Investment Facilitation Portal and forwards them to the concerned administrative ministry (competent authority)

DPIIT is the administrative ministry for FDI proposals by Non Resident lndians (NRl)/ Export Oriented Units (EOU's) requiring approval of the Government. Approval letters in standard format are uploaded on the portal for the benefit of investors. An SOP is being followed to process FDI applications. FDI proposals involving total foreign equity inflow of more than Rs 50 billion, are referred to Cabinet Committee on Economic Affairs (CCEA).

- **Prohibited Sectors**

FDI is prohibited in:

a) Lottery Business including Government/private lottery, online lotteries, etc.

b) Gambling and betting including casinos etc.

c) Chit funds

d) Nidhi company

e) Trading in Transferable Development Rights (TDRs)

f) Real Estate Business or Construction of Farm Houses

'Real estate businesses shall not include development of townships, construction of residential /commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations 2014.

g) Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes

h) Activities/sectors not open to private sector investment e.g. (I) Atomic Energy and (II) Railway operations, Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business, Gambling and Betting activities.

10.1.2 TRENDS OF FDI IN INDIA

Foreign Direct Investment (FDI) flows to India in 2021 were 26 per cent lower, mainly because large M&A deals recorded in 2020 were not repeated, the UN trade body has said. The UN Conference on Trade and Development (UNCTAD) Investment Trends Monitor published on Wednesday said global foreign direct investment flows showed a strong rebound in 2021, growing 77 per cent to an estimated USD 1.65 trillion, from USD 929 billion in 2020, surpassing their pre-COVID-19 level.

"Recovery of investment flows to developing countries is encouraging, but the stagnation of new investment in the least developed countries in industries important for productive capacities, and key Sustainable Development Goals (SDG) sectors - such as electricity, food or health - is a major cause for concern," said UNCTAD Secretary-General Rebeca Grynspan. The report said developed economies saw the biggest rise by far, with FDI reaching an estimated USD 777 billion in 2021 - three times the exceptionally low level in 2020.

Table 1 FDI flows to India

Foreign Direct Investment Flows to India: Country-wise and Industry-wise
(US$ million)

Source/Industry	2016-17	2017-18	2018-19	2019-20	2020-21 (P)
1	2	3	4	5	6
Total FDI	36,317	37,366	38,744	42,629	52,545
Country-wise Inflows					
Singapore	6,529	9,273	14,632	12,612	15,908
US	2,138	1,973	2,823	3,401	13,204
Mauritius	13,383	13,415	6,570	7,498	4,491
UAE	645	408	853	323	4,071
Saudi Arabia	12	125	27	89	2,815
Cayman Islands	49	1,140	863	3,496	2,558
Netherlands	3,234	2,677	2,519	5,295	2,138
Japan	4,237	1,313	2,745	2,308	1,794
France	487	403	375	1,167	810
UK	1,301	716	1,211	1,125	779
Germany	845	1,095	817	443	626
Spain	213	243	109	83	425
South Korea	466	293	982	777	400
Luxembourg	99	243	251	252	267
Belgium	172	213	56	388	246
Taiwan	12	112	24	44	219
Switzerland	502	506	280	140	188
Others	1,993	3,218	3,607	3,188	1,604
Sector-wise Inflows					
Computer Services	1,937	3,173	3,453	4,104	23,050
Transport	891	1,267	1,019	2,333	7,584
Manufacturing	11,972	7,066	7,919	8,153	6,739
Retail & Wholesale Trade	2,771	4,478	4,311	4,914	2,960
Financial Services	3,732	4,070	6,372	4,326	2,728

Communication Services	5,876	8,809	5,365	6,838	2,314
Business Services	2,684	3,005	2,597	3,684	1,750
Construction	1,564	1,281	2,009	1,937	1,746
Electricity and Other Energy Generation, Distribution & Transmission	1,722	1,870	2,427	1,906	989
Education, Research & Development	205	347	736	528	963
Miscellaneous Services	1,816	835	1,226	443	671
Real Estate Activities	105	405	213	564	401
Restaurants and Hotels	430	452	749	2,546	278
Mining	141	82	247	217	186
Trading	0	0	0	0	0
Others	470	226	102	137	187

P: Provisional.

Note: Includes FDI through approval and automatic routes only.

Source: RBI.

10.1.3 ADVANTAGES OF FDI

FDI has made the business to spread worldwide. We have a lot of advantages of FDI out which some of the benefits of Foreign Direct Investments in India are given below:-

1. Promotion of investment in key areas:

By allowing FDI, we can promote investment in key areas such as infrastructure development as a result of which there will be more production of capital goods. For example, investment in power generation can generate more electric power which will enable the growth of more industries.

2. New technologies:

FDI can bring in more new technologies which were not adopted in the country till now. Examples are the recent developments in the Communications System. The launching of satellites with the help of other countries has enabled the growth of communication system in the country. Nokia has come to India for promoting India’s communication system.

3. Increase in Capital inflow:

FDI promotes more capital inflow into the country especially in key and core sectors. We have a shortage of capital not only in the form of money but also in the form of material. FDIs will bridge this gap by which there will be speedy economic growth in the country.

4. Increase in Exports:

With the help of FDI, the exports of many underdeveloped countries have increased. The creation of Economic Zones and promotion of 100% export oriented units have helped FDIs in increasing their exports from other countries. Certain consumer products produced by them have world-wide markets. There is a change in the composition of exports and direction of exports with the presence of FDI.

5. Promotion of Employment opportunities:

The advent of FDI in developing countries has promoted the service sector. This has resulted in a change in the advertising and marketing technologies. This provides more scope for employment opportunities. Educated unemployment to some extent is reduced by the FDI as they could absorb some of Indian work force.

6. Promotion of financial services:

FDI strengthens financial services of a country by not only entering its banking industry but also by extending other activities such as merchant banking, portfolio investment, etc., which has resulted in the promotion of more new companies. It has also helped the capital market in the country.

7. Exchange rate stability:

Reserve Bank of India has been maintaining the exchange rate in the country through its exchange control measures. But the constant and continuous supply of foreign exchange is a must for continuing exchange rate stability. With more FDIs coming into the country, this is made possible and today RBI is having a comfortable foreign exchange reserve position of more than 1 billion dollars.

8. Development of backward areas:

Foreign direct investments are in a way responsible for the development of backward areas. There are so many industries started by them in far reaching and backward areas, as a result of which these areas have developed into industrial centres. Some of the backward regions have utilized the services of FDIs for starting industries in backward areas. Examples are Hyundai and Ford car units started at Sriperumbadur and Maraimalainagar in India.

9. Utilization of natural resources:

The natural resources in the country is put to better use by the FDls which otherwise would have remained unutilized. The examples are Saint Gobain Glass Company and manufacture of paper and newsprint.

10. Change in the lifestyle of people:

The presence of FDIs has no doubt changed the life-style pattern of people. The purchase of consumer goods such as TV, fridge, automobiles are made possible as these goods are made available through hire purchase system. The increasing number of automobiles in most of the cities is a standing example for the change in the life-style.

10.1.4 DISADVANTAGES OF FDI

Though there are a lot of benefits in a Foreign Direct Investments (FDI), there are still a lot of disadvantages which need attention. Some of the disadvantages that FDI may have are as under:-

1. Disappearance of cottage and small scale industries:

Some of the products produced in cottage and village industries and also under small scale industries had to disappear from the market due to the onslaught of the products coming from FDIs. Example: Multinational soft drinks.

2. Contribution to the pollution:

Foreign direct investments contribute to pollution problem in the country. The developed countries have shifted some of their pollution-borne industries to the developing countries. The major victim is automobile industries. Most of these are shifted to developing countries and thus they have escaped pollution.

3. Exchange crisis:

Foreign Direct Investments are one of the reason for exchange crisis at times. During the year 2000, the Southeast Asian countries experienced currency crisis because of the presence of FDls. With inflation contributed by them, exports have dwindled resulting in heavy fall in the value of domestic currency.

As a result of this, the FDIs started withdrawing their capital leading to an exchange crisis. Thus, too much dependence on FDls will create exchange crisis.

4. Cultural erosion:

In all the countries where the FDls have made an inroad, there has been a cultural shock experienced by the local people, adopting a different culture alien to the country. The domestic culture either disappears or suffers a setback. This is felt in the family structure, social setup and erosion in the value system of the people. Importance given to human relations, hither to suffers a setback with the hi-fi style of living.

5. Political corruption:

In order to capture the foreign market, the FDIs have gone to the extent of even corrupting the high officials or the political bosses in various countries. Lockheed scandal of Japan is an example. In certain countries, the FDIs influence the political setup for achieving their personal gains. Most of the Latin American countries have experienced such a problem. Example: Drug trafficking, laundering of money, etc.

6. Trade Deficit:

The introduction of TRIPs (Trade Related Intellectual Property Rights) and TRIMs (Trade Related Investment Measures) has restricted the production of certain products in other countries. For example, India cannot manufacture certain medicines without paying royalties to the country which has originally invented the medicine. The same thing applies to seeds which are used in agriculture. Thus, the developing countries are made to either import the products or produce them through FDIs at a higher cost. WTO (World Trade Organization) is in favor of FDIs.

7. World Bank and lMF Aid:

Some of the developing countries have criticized the World Bank and IMF (International Monetary Fund) in extending assistance. There is a discrimination shown by these international agencies. Only those countries which accommodate FDIs will receive more assistance from these international institutions.

8. Convertibility of Currency:

FDIs are insisting on total convertibility of currencies in under-developed countries as a prerequisite for investment. This may not be possible in many countries as there may not be sufficient foreign currency reserve to accommodate convertibility. In the absence of such a facility, it is dangerous to allow the FDIs as they may withdraw their investments the moment they find their investments unprofitable.

10.2 FACTORS AFFECTING FDI FLOW IN INDIA

Many Foreign Direct Investors prefer India and China for their ultimate investment destination as it is one of the most favored nations in the world today with faster rate of growth and with an enviable foreign exchange reserve position. But there are still some factors that discourages the FDIs in India. They are as follows:-

1. Opposition from the Traders on FDI:

Many of the traders fear that the presence of FDI will drive them out of the market. At present, there is a move on the part of the government to allow FDls in retail business and this will certainly hamper the growth of domestic traders. In fact, the introduction of credit cards and debit cards has affected the business of many of the local traders who could not modernize their trading activities. So, they are opposing the entry of FDIs into the country.

2. Scope for Expansion:

The FDIs are entering the country with the hope that there will be more scope for expansion as they have a wider market. But, in the process, it will also affect the economy in the form of inflation and increasing demand for luxury products. But for the purpose of expansion, FDIs require more investment and more facilities in the form of infrastructure which are not in the hands of FDIs. There are certain industries which are still held by the local people and the FDIs have to depend on them for expansion.

3. Prevalence of Illiteracy and Mass Poverty:

With illiteracy and mass poverty contributing 40% of the population, there is less scope for the production of modern products. There will be a wider disparity in the living conditions of haves and have-nots. This is bound to affect the social setup. Already we see Eastern belt of different states coming under the influence of extremist activities which is the outcome of exploitation and mass poverty. If this is allowed to continue, it will disturb the peaceful atmosphere prevailing in the economy.

4. Shortage of infrastructure:

The availability of power, steel, fuel, etc., is far below the international standard and hence the government will not be in a position to provide adequate infrastructure to FDIs. There is also heavy shortage of capital which is hampering the investment in developmental activities. The major plan of linking all the rivers could not be undertaken for want of capital. This will also affect the expansion of FDIs in the country.

5. Total Convertibility of Currency:

Any Foreign Direct Investor would like to take a part of his earnings back to his country for which there should be adequate provision in the foreign exchange reserve. Though at present India has 350 billion dollars forex reserve, this may be eroded with the increasing international oil price. As such, it will not be possible for the country to adopt a policy of total convertibility of currency whereby the FDls can take back any amount of foreign currency. Even now, the government and RBI are finding it difficult to maintain exchange rate stability. Unless total convertibility is adopted, FDIs will not be keen to invest in India.

6. Opposition from the Organized Sector:

Some of the activities of large scale industries are given on outsourcing basis to FDIs. For example, credit card facility, security system, foreign exchange transactions etc. As a result of this, the employment opportunities and the scope of promotion for the existing employees are deprived. The trade unions in the banking sector are opposing the outsourcing of some of the banking activities in favor of FDIs. The FDIs have also changed the business transactions and the introduction of core banking is an example for this. All these affect the employment potentialities in the organized sector.

7. TRIPS and TRIMS:

In view of the TRIPS (Trade related intellectual property rights) and TRIMS (Trade related investments) there cannot be any discrimination between domestic and foreign industry. Some of the medicines manufactured by the domestic industry will now be taken over by the foreign companies due to TRIPS, if not the domestic company will have to pay patent fee which will increase the cost of the medicine. Thus, the presence of FDIs will not be helpful to the domestic consumers who may have to pay a higher price for essential products like medicine.

10.3 FDI IN RETAIL

FDI in retail industry means that foreign companies in certain categories can sell products through their own retail shop in the country. At present, foreign direct investment (FDI) in pure retailing is not permitted under Indian law. Government of India has allowed FDI in retail of specific brand of products. As India is one of the developing countries, so FDI must be promoted but must be kept under control as it can affect the economy of the country. FDI in case of retail sector can be studied in two parts which are as follows:-

1. **FDI in Single Product Retail Trading**
2. **FDI in Multi Brand Retail Trading**

FDI in Single Product Retail Trading

Foreign Investment in single brand product retail trading is aimed at attracting investments in production and marketing, improving the availability of such goods for the consumer, encouraging increased sourcing of goods from India, and enhancing competitiveness of Indian enterprises through access to global designs, technologies and management practices. As per the latest policy of FDI 100% FDI is allowed in this segment through automatic route.

- **FDI in Single Brand product retail trading would be subject to the following conditions:**

(a) Products to be sold should be of a 'Single Brand' only.

(b) Products should be sold under the same brand internationally i.e. products should be sold under the same brand in one or more countries other than India.

(c) 'Single Brand' product-retail trading would cover only products which are branded during manufacturing.

(d) A non-resident entity or entities, whether owner of the brand or otherwise, shall be permitted to undertake 'single brand' product retail trading in the country for the specific brand, either directly by the brand owner or through a legally tenable agreement executed between the Indian entity undertaking single brand retail trading and the brand owner.

(e) In respect of proposals involving foreign investment beyond 51%, sourcing of 30% of the value of goods purchased, will be done from India, preferably from MSMEs, village and cottage industries, artisans and craftsmen, in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked, by statutory auditors, from the duly certified accounts which the company will be required to maintain. This procurement requirement would have to be met, in the first instance, as an average of five years' total value of the goods procured, beginning 1st April of the year of the commencement of SBRT business (i.e. opening of the first store or start of online retail, whichever is earlier). Thereafter, SBRT entity shall be required to meet the 30% local sourcing norms on an annual basis. For the purpose of ascertaining the sourcing requirement, the relevant entity would be the company, incorporated in India, which is the recipient of foreign investment for the purpose of carrying out single-brand product retail trading.

(f) For the purpose of meeting local sourcing requirement laid down at para (e) above, all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported. SBRT entity is also permitted to set off sourcing of goods from India for global operations against the mandatory sourcing requirement of 30%. For this purpose, 'sourcing of goods from India for global operations' shall mean value of goods sourced from India for global operations for that single brand (in INR terms) in a particular financial year directly by the entity undertaking SBRT or its group companies (resident or non-resident), or indirectly by them through a third party under a legally tenable agreement.

(g) An SBRT entity operating through brick and mortar stores can also undertake retail trading through e-commerce. However, retail trading through e-commerce can also be undertaken prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within 2 years from date of start of online retail.

FDI in Multi Brand Retail Trading

FDI in multi brand retail trading is allowed up to 51% through government route and it will be permitted, subject to the following conditions:

(i) Fresh agricultural produce, including fruits, vegetables, flowers, grains, pulses, fresh poultry, fishery and meat products, may be unbranded.

(ii) Minimum amount to be brought in, as FDI, by the foreign investor, would be US $ 100 million.

(iii) At least 50% of total FDI brought in the first tranche of US $ 100 million, shall be invested in 'back-end infrastructure' within three years, where 'back-end infrastructure' will include capital expenditure on all activities, excluding that on front-end units; for instance, back-end infrastructure will include investment made towards processing, manufacturing, distribution, design improvement, quality control, packaging, logistics, storage, ware-house, agriculture market produce infrastructure etc. Expenditure on land cost and rentals, if any, will not be counted for purposes of backend infrastructure. Subsequent investment in backend infrastructure would be made by the MBRT retailer as needed, depending upon its business requirements.

(iv) At least 30% of the value of procurement of manufactured/processed products purchased shall be sourced from Indian micro, small and medium industries, which have a total investment in plant & machinery not exceeding US $ 2.00 million. This valuation refers to the value at the time of installation, without providing for depreciation. The 'small industry' status would be reckoned only at the time of first engagement with the retailer, and such industry shall continue to qualify as a 'small industry' for this purpose, even if it outgrows the said investment of US $ 2.00 million during the course of its relationship with the said retailer. Sourcing from agricultural co-operatives and farmers co-operatives would also be considered in this category. The procurement requirement

would have to be met, in the first instance, as an average of five years' total value of the manufactured/processed products purchased, beginning 1st April of the year during which the first tranche of FDI is received. Thereafter, it would have to be met on an annual basis.

(v) Self-certification by the company, to ensure compliance of the conditions at serial nos. (ii), (iii) and (iv) above, which could be cross-checked, as and when required. Accordingly, the investors shall maintain accounts, duly certified by statutory auditors.

(vi) Retail sales outlets may be set up only in cities with a population of more than 10 lakh as per 2011 Census or any other cities as per the decision of the respective State Governments, and may also cover an area of 10 KMs around the municipal/urban agglomeration limits of such cities; retail locations will be restricted to conforming areas as per the Master/Zonal Plans of the concerned cities and provision will be made for requisite facilities such as transport connectivity and parking.

(vii) Government will have the first right to procurement of agricultural products.

(viii) The above policy is an enabling policy only and the State Governments/Union Territories would be free to take their own decisions in regard to implementation of the policy. Therefore, retail sales outlets may be set up in those States/Union Territories which have agreed, or agree in future, to allow FDI in MBRT under this policy. The list of States/Union Territories which have conveyed their agreement is at (2) below. Such agreement, in future, to permit establishment of retail outlets under this policy, would be conveyed to the Government of India through the Department for Promotion of Industry and Internal Trade and additions would be made to the list at (2) below accordingly. The establishment of the retail sales outlets will be in compliance of applicable State/Union Territory laws/ regulations, such as the Shops and Establishments Act etc.

(ix) Retail trading, in any form, by means of e-commerce, would not be permissible, for companies with FDI, engaged in the activity of multi-brand retail trading.

(2) List of States/Union Territories as mentioned above

1. Andhra Pradesh
2. Assam
3. Delhi
4. Haryana
5. Himachal Pradesh
6. Jammu & Kashmir
7. Karnataka
8. Maharashtra
9. Manipur
10. Rajasthan
11. Uttarakhand
12. Daman & Diu and Dadra and Nagar Haveli (Union Territories)

10.4 CASE STUDY

Coca-cola has a presence in over 200 countries worldwide and is acknowledged as the most recognized brand in the world. This case explains Coca Cola's entry and growth strategies in China and the reasons for its success in this market. The case discusses its strategy for re-entry into the Chinese market and its long-term localization strategy. The case also looks at how Coke cooperated with the Chinese government in order to soften the impact of the restrictive policies regarding Foreign Direct Investment in China, and how it designed its marketing and promotion strategies to suit the Chinese market. In sharp contrast to its strategies in the past (in China and other countries as well), initially Coke did not own any bottling plants in China. It imported the concentrate and sold it to bottling plants. The bottling plants (that it sold the concentrate to) had been built by Coke and handed over to the Chinese government. The first of these plants was built in Beijing and was operational in 1981. According to an agreement between Coke and the state-owned China National Cereals, Oils, and Foodstuffs Import and Export Corporation (COFCO) in 1980, Coke agreed to build a plant and hand it over to the government in exchange for approval to expand distribution and sales in China. The second bottling plant was built in Guangzhou and was also handed over to the Chinese government in 1982.

1. What you think about the FDI policy of China?
2. Do you think that China's FDI policy is good? Give your views
3. How you compare the Indian FDI policy with China?

10.5 CHECK YOUR PROGRESS

1. **The foreign direct investment includes _______**

   A) Intellectual properties

   B) Human resources

   C) Tangible goods

   D) Intangible goods

2. **More expansion of foreign direct investment can boost __________**

   A) Money circulation

   B) Demand

   C) Employment

   D) Unemployment

3. **Which of the following is responsible for FDI policy**

   a. RBI

   b. NABARD

   c. SEBI

   d. Department for promotion of industry and internal trade

4. **FDI stands for**

   a. Foreign department of India

   b. Forest department of India

   c. Forex department of India

   d. Foreign Direct Investment

6. **What is the permissible limit of FDI in retail in India**

   a. 26%

b. 49%

c. 74%

d. 100%

10.6 SUMMARY

Foreign investment was introduced in 1991 under Foreign Exchange Management Act (FEMA), driven by then finance minister Manmohan Singh. India disallowed overseas corporate bodies (OCB) to invest in India. India imposes cap on equity holding by foreign investors in various sectors, current FDI in aviation and insurance sectors is limited to a maximum of 49%. A 2012 UNCTAD survey projected India as the second most important FDI destination (after China) for transnational corporations during 2010–2012. As per the data, the sectors that attracted higher inflows were services, telecommunication, construction activities and computer software and hardware. Mauritius, Singapore, US and UK were among the leading sources of FDI. Based on UNCTAD data FDI flows were $10.4 billion, a drop of 43% from the first half of the last year. In 2015, India emerged as top FDI destination surpassing China and the US. India attracted FDI of $31 billion compared to $28 billion and $27 billion of China and the US respectively.

10.7 KEYWORDS

- **FDI:-** FDI is defined as an investment involving a long-term relationship and reflecting a lasting interest and control by a resident enterprise (foreign direct investor or parent enterprise) in one economy in an enterprise (FDI enterprise or affiliate enterprise or foreign affiliate) resident in an economy other than that of the foreign direct investor. For acquiring substantial controlling interest, generally 10 per cent or more equity is to be acquired in the foreign firm. The ‘lasting interest’ implies the existence of a long-term relationship between the direct investor and the enterprise wherein a significant degree of influence is exerted by the investor in the management of the direct investment enterprise.
- **DPIIT:-** The Department for Promotion of Industry and Internal Trade (DPIIT) was established in the year 1995 and was reconstituted in the year 2000 with the merger of the Department of Industrial Development. Earlier, separate Ministries of Small Scale Industries & Agro and Rural Industries (SSI &ARI) and Heavy Industries and Public Enterprises (HI&PE) were created in October, 1999. The department was earlier called Department of Industrial Policy & Promotion;

and was renamed as DPIIT in January, 2019. In 2018, matters related to e-commerce were transferred to the Department and in 2019, the Department has been given charge for matters related to Internal Trade, welfare of traders and their employees and Startups. The role of DPIIT is to promote/accelerate industrial Development of the Country by facilitating investment in new and upcoming technology, foreign direct investment and support balanced development of industries.

- **Multi Brand Retail: -** Multi-brand stores are those who sell more than one brand. Different from single-brand retail where store owners set up the location to sell the same brand, multi-vendor stores have a wide range of products for consumers to choose. For example, a Nike, Samsung, Raymond store which only sells products of that brand would be a single brand retailer. Stores such as a Croma, Lifestyle, Westside, which sell products of various brands constitute multi-brand retail.
- **UNCTAD:-** UNCTAD stands for United Nations Conference on Trade and Development. It support developing countries to access the benefits of a globalized economy more fairly and effectively. It helps to equip them to deal with the potential drawbacks of greater economic integration. To do this, it provide analysis, facilitate consensus-building, and offer technical assistance. This helps them to use trade, investment, finance, and technology as vehicles for inclusive and sustainable development.

10.8 SELF-ASSESSMENT TEST

1. What do you mean by FDI? Explain the advantages and disadvantages of FDI.
2. Define the various factors affecting FDI flow in India.
3. Clearly define the current FDI policy in Retail sector.
4. Is FDI in retail is good for India? Explain with example.
5. Will FDI in retail open gates for more job opportunities?

10.9 ANSWER TO CHECK YOUR PROGRESS

1. C

2. C

3. D

4. D

5. D

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