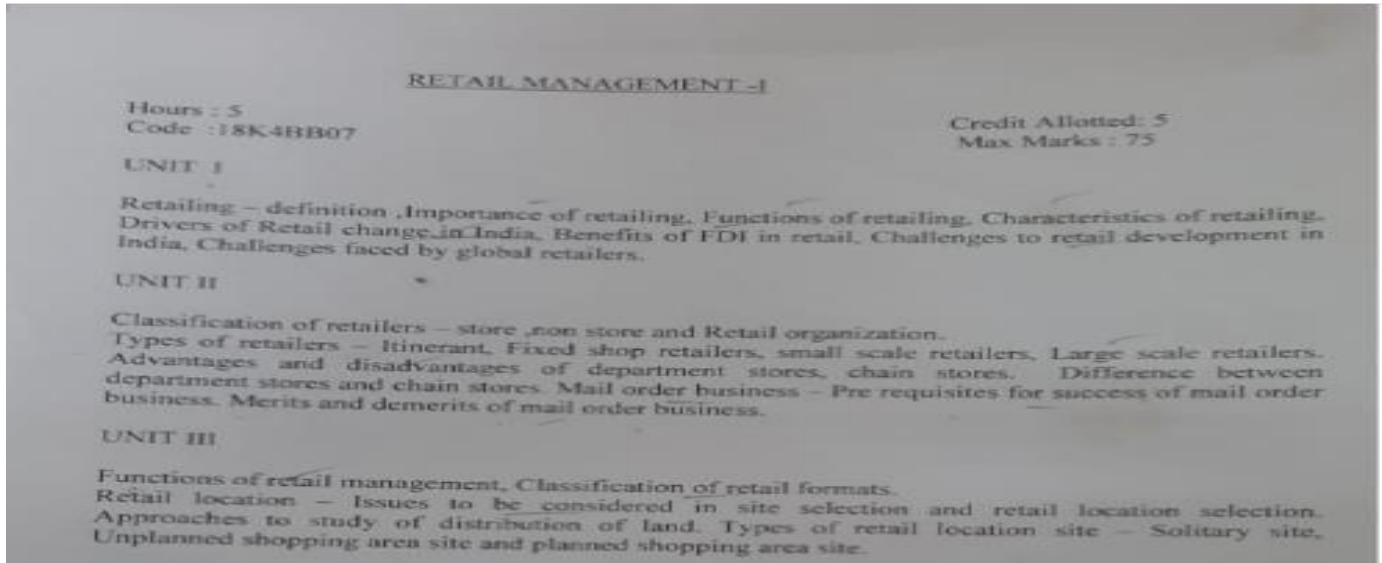


RETAIL MANAGEMENT-I

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Meaning and Definition of Retailing:

Retailing is a set of activities performed in selling the goods and services directly to the end users. The goods and services sold to the consumers are meant for their personal use and not for resale or business activity. Retailing is the last activity conducted in the chain of product distribution.

Definitions and Nature of Retailing:

According to W.J. Stanton, “Retailing includes all activities directly related to sales of goods or services to the ultimate consumer for personal a non-business use”.

According to Cundiff and Still,” Retailing consist of those activities involved in selling directly to ultimate consumer.”

Importance of Retail Marketing:

Products are created for consumption and satisfaction of the people. They should the reach people for whom they are meant for. It is the retailer who assumes the role of taking the goods to the people and delivers them to their convenience and comfort, Importance retailer is due to following role he assumes in the sale of goods.

1. Link and Communication between Manufacturer Marketing and Consumer:

A retailer functions between the final customer and manufacturer. He not only helps in selling and buying activity, but collects important information about the people, i.e., likes and dislikes of the product and important information regarding market. This will help manufacturer to design and deliver a product to the expectation of people. This will increase sale and profits and ensure higher levels of satisfaction to the consumer.

2. Benefits of a Specialist or Expert in Distribution Network:

Retailer is an expert and experienced person in distribution network. He understands the pulse of people, their likes and dislikes due to his proximity and contact with the people. He stores those products and services that people want and delivers them in size and style which the people expect. Due to his expertise and knowledge about the product and market he helps the customers to make right choice in their purchase.

3. Creates Utility and Value:

Retailer creates time, place and form utility in the distribution of goods and increases value of goods. Goods that are manufactured in bulk and large quantity are purchased in large scale by retailer and he breaks the bulk, delivers them in small packs and quantity that is required by the consumer. In this process he creates form utility. Goods are manufactured in one corner of country and they are consumed in different parts of the world.

Retailer buys goods from different producers and makes them available locally to his customer and thereby creates place utility. There is time gap in production and consumption. A retailer buys in advance from middlemen, stores them and sells through his shelf, whenever it is demanded. Creating these three utilities he increases value of goods and helps. The role of retailer ensures regular and continuous production and consumption.

4. Comfort and Facility of Shopping:

Modern retail houses like Shopping Malls, Chain Stores and Multiplexes make shopping a pleasant experience. The environment and ambience in these Super Bazaars provide variety of facilities like kids play, entertainment, parking, lifts, trolleys to collect the goods, coffee shop etc. Retailing through internet, mobile, mail order will ensure delivery of goods to the doors of customer.

5. Service to Manufacturers and Middlemen:

A retailer provides varieties of services to manufacturers and middlemen by sharing customer information i.e. their likes and dislikes about the product.

6. Provision of Storage and Warehousing:

Buying in advances and storing goods in his premise minimizes problem of warehousing to manufacturer. Retailer undertakes buying in advance and selling out that product. Further display and promotion of the product will increase demand and sale of product.

7. Service to Customer:

Retailer provides variety of services to customers:

- i. Locates retail stores at a place that is convenient to maximum people, near to his locality or in the heart of city.
- ii. Offer's variety of goods to choose from.
- iii. Makes attractive presentation and placement of product for easy identification and selection.
- iv. Offers monetary incentives like reasonable price, discount, offers etc.
- v. Provides services like home delivery, quality assurance, offer of sale service etc.
- vi. Gives knowledge and information about the product to utility and there by helps him selecting right kind of product.

8. Increase in Productivity:

Retailer ensures productivity and efficiency in distribution of goods. He shares market information with manufactures and ensures production of those goods that have demand. His policies of promotion and placement create demand for product and ensure fast turnover through quick sale. Proper logistics like transportation, warehousing will reduce damage and loss of value to the commodity. These initiatives will minimise wastage, cut down cost of operation and there by ensure efficiency and productivity.

9. Increase in Standard of Living:

Standard of living is measured by consumption of comforts and luxury goods. Retailer ensures a higher standard of living by making available variety of goods and service to the people at reasonable price. Facility, of credit and shopping within reach of common man will increase standard of living.

10. Increase in Employment Opportunities:

It is estimated that retail industry in India provides around 10% of employment. Over populous country like India which has a high percentage of Un-employment is benefited by growing number and size of retail business. Apart from this retail provides and creates job opportunities for women, as women can take better care of customer.

With growing number of educated women who aspire to be economically independent, retail provides a better job opportunity. Retail also can provide part time job opportunities for those who want to work in shifts and also pursue their study or take care of some other home assignment.

11. Increase in GDP:

Organised and developed retail system creates better demand for goods and services. It provides convenient outlet for sales. Increased sales necessitate more production that in turn increases employment of more resources in economic activities. These factors result in a higher GDP growth that is essential for economic development of a nation.

12. Retail as a Separate Branch of Study:

Growing demand for organised retail and revolutionary changes in the retail trade has resulted in retail management and market as a separate branch of study. Universities are offering courses in retail business. These further creating new opportunities in retail education and development.

Characteristics Of Retailing

Retailing can be differentiated from wholesaling or manufacturing because of its certain distinct characteristics which include –

- **Direct contact with the customer** – Retailing involves direct contact with the end customer and are a mediator between the wholesaler and the customer or the manufacturer and the customer depending upon the distribution channels used.
- **Relationship with the customers** – Retailers form a bond with the customers and help them decide which products and services they should choose for themselves.
- **Stock small quantities of goods** – Retailers usually stock small quantities of goods compared to manufacturers and wholesalers.
- **Stock goods of different brands** – Retailers usually stock different goods of different brands according to the demand in the market.
- **Customers' contact with the company** – Retailers act as the representatives of the company to the end customers who give their feedback and suggestions to them.
- **Have a limited shelf space** – Retail stores usually have very limited shelf space and only stock goods which have good demand.

- **Sells the goods at maximum prices** – Since retailing involves selling the products directly to the customers, it also witnesses the maximum price of the product.

Functions Of Retailing

Retailers have many important functions to perform to facilitate the sale of the products. These functions include –

Sorting

Manufacturers produce large quantities of similar goods and like to sell their inventories to few buyers who buy in lots. While customers desire many varieties of goods from different manufacturers to choose from. Retailers balance the demands of both sides by collecting and assorting the goods from different sources and placing them according to the customers' needs.

Breaking Bulk

Retailers buy the goods from manufacturers and wholesalers in sufficiently large quantities but sell to the customers in small quantities.

Channel Of Communication

Since retail involves direct contact with the end consumers, it forms a very important channel of communication for the companies and manufacturers. The manufacturer tries to communicate the advantages of their products as well as the offers and discounts through retailers.

Retail also acts as a mediator between the company and the customer and communicates the feedback given by the customers back to the manufacturer or wholesaler.

Marketing

Retail stores are the final channels where the actual decisions are made. Hence, they act as important marketing channels for the brands. Smart placements, banners, advertisements, offers, and other strategies are executed by the manufacturers to increase their sales in retail stores.

FDI in retail – Advantages and benefits

- Growth in the economy – when foreign companies come in, new infrastructure will be built. Sectors like real estate and banking will see growth. Also, MNCs will pay a lot of taxes to the Indian government which again can be used to build infrastructure.
- Employment generation – FDI in retail will create a lot of jobs in the organised retail sector.
- The benefit to farmers – it will benefit farmers and producers by procuring produce from them directly and thus, cutting down on intermediaries. The farmers' margins will improve.
- In the unorganised sector, there is a huge wastage, running to the tune of 40% in the case of vegetables and fruits. Big retail chains can reduce this wastage by investing in supply chains and adequate storage facilities.
- Foreign companies can bring in better technology, management best practices, and more learnings for Indian players.
- Push to productivity – currently, Indian production in agriculture and food is very low. FDI in retail will give a much-needed fillip to infrastructure in agriculture and farming practices.
- Benefits for consumers – FDI in retail implies low prices and better and more variety of products for consumers to choose from. They will also get access to international brands.
- Induce competition – it will induce competition in the market benefitting both consumers and producers.

Challenges to Retail Development in India

Organized retail in India is little over a decade old. It is largely an urban phenomenon and the pace of growth is still slow. Some of the reasons for this slow growth are:

- 1) Retail not being recognized as an industry in India: Lack of recognition as an industry hampers the availability of finance to the existing and new players. This effects growth and expansions plans.
- 2) The high costs of real estate: Real estate prices in some cities in India are among the highest in the world. The lease or rent of the property is one of the major areas of expenditure; high lease

rentals eat into the profitability of a project.

3) In addition to the high cost of real estate, the sector also faces very high stamp duties on transfer of property – it varies from state to state (12.5% in Gujarat and 8% in Delhi). The presence of strong pro-tenancy laws makes it difficult to evict tenants. The problem is compounded by problems of clear titles to ownership, while at the same time, land use conversion is time consuming and complex, as is the legal processes for setting of property disputes.

4) Lack of adequate infrastructure: Poor roads and the lack of a cold chain infrastructure hampers the development of food and fresh grocery retail in India. The existing supermarkets and food retailers have to invest a substantial amount of money and time in building a food chain network.

5) Multiple and complex taxation system: The sales tax rates vary from state to state. While organized players have to face a multiple point control and tax system, there is considerable sales tax evasion by small stores. In many locations, retailers have to face a multi point octroi. With the introduction of Value Added Tax (VAT) in 2005, certain anomalies in the existing sales tax system causing disruptions in the supply chain are likely to get corrected over a period of time.

Challenges Faced by Global Retailers

When an organization moves from domestic to the global market, it has to deal with many problems and complexities.

Given below are some of the global retailing challenges commonly faced by the companies:



- **Coping Up with Changing Technology:** The organizations today are judged more based on their efficiency receiving and transmitting information. Therefore, the companies operating on an international level need to depend upon the technology and e-retailing platforms.
- **Language and Communication Barriers:** While selling goods or services overseas, the organization faces difficulty to connect with locals or potential consumers. This is due to the difference in language, preference of [communication](#) modes, translation errors, etc.
- **Consumer Empowerment:** With the rapid change in technology, lifestyle and demand has lead to consumer empowerment and thus, made it difficult for the companies to generate customer loyalty.
- **Cultural Complexities:** Every market is culturally diverse, and the consumers' values define their priorities for the goods or services, purchasing power and modes of shopping and making payments. Understanding the culture of the potential market is a complicated task.

- **International Shipping Policies:** The overseas trading policies like licence, excise duty, taxes and rates, import-export policies, exchange rates, etc. act as a considerable challenge for the companies going global.

UNIT-II

Classification of retailers – store, non-store and Retail organization.
Types of retailers – Itinerant, Fixed shop retailers, small scale retailers, Large scale retailers.
Advantages and disadvantages of department stores, chain stores. Difference between department stores and chain stores. Mail order business – Pre requisites for success of mail order business. Merits and demerits of mail order business.

CLASSIFICATION OF RETAILERS

Retail Formats can be classified into the following categories:

Store Based: Store based formats can be further classified into two formats based on the basis of Ownership or Merchandise offered.

Non Store Based Classification: Non Store retail organizations focus on establishing direct contact with the consumer. This may be both personal (direct personal selling) and nonpersonal (TV, the Internet, mail, catalog or phone).

Service Based Classification: Such retailers specialize in providing different kinds of services to the end consumer. The services can be classified as Banking Services, Rentals, Electricity, cooking gas, etc. Various factors like quality of service, how much customization can be provided for meeting the client specific requirements, the uniqueness of the service and delivery within the timelines, usage of innovative technology, etc, are given importance for determining the success of service.

(Source: <https://www.managementstudyguide.com/retail-formats-classification.htm>)

TYPES OF RETAILERS

Types of retailers are as follows: -

1. Itinerant or Mobile Retailers
2. Fixed Shop Retailers
3. Hawkers and Peddlers
4. Market Traders
5. Street Traders
6. Cheap Jacks
7. Fixed-Shop Small Retailers
8. Fixed-Shop Large Retailers
9. Independent Retailers
10. Chain Store Retailers
11. Manufacturer Owned Outlet
12. Franchise Outlet
13. Department Store
14. Specialty Store
15. variety Store
16. Self Service Store
17. Limited-Service Retailers
18. Full-Service Retailers.

There is a perplexing variety of retail trading houses. Judged from the point of view of their place of business they may be categorised as –

1. Itinerant or mobile retail traders, and

2. Fixed shop retailers.

1. Itinerant Retail Dealers:

These are retailers who do not operate from fixed business premises but move from place to place for selling goods in small lots to the consumers. They generally work with a very small capital investment and may not stick to a particular line of business throughout, that is to say, they may sometimes give up dealing in one seasonal product in favour of another when there is a change of season.

Some of the important species of this category are described below:

1. Hawkers and Pedlars – These petty retailers move from door to door in residential localities to sell their wares.

2. Pavement Shops or Street Traders – These traders generally arrange their wares at busy street corners or pavements of busy streets of the city. In Connaught Place of New Delhi, for instance, it is common sight to see small book-shops, fountain pen dealers, and dealers in handbags and other household articles doing flourishing business in the corridors in front of the big shops. Generally speaking, such traders deal only in one particular line of products.

3. Cheap Jacks – Such traders generally hire small shops centrally located in residential localities and display their wares there.

4. Market Traders – These traders sell their wares at periodical markets — weekly, monthly or annual.

2. Fixed Shop Retailers:

Unlike the itinerant retailers described above, the fixed shop retailers trade in fixed premises. The choice of such fixed premises has, of course, to be made after a careful consideration of the composition and needs of consumers whose needs are to be catered to.

Once, however, the choice is made, a change may involve a considerable deal of loss and wastage. The fixed shop retailers may be divided into two subgroups according to the scale of operation –

i. Small-scale shops,

ii. Large-scale retail shops.

The various types of retail shops belonging to each one of the sub-groups are described below:

i. Small-Scale Retail Shops:

a. Street Stalls:

Such stalls are retail shops organised on a very small scale. The stall is generally located at a street crossing or in the main street. It may take the form of a stand with a table or platform which may be used for keeping the goods. Mostly, inexpensive articles like hosiery, fountain-pens and cosmetics are sold at these stalls.

The stall-holders obtain their supplies mostly from the wholesalers, though they may depend upon the local dealers or suppliers, too, for this purpose. The ownership and the management of such retail organisations generally vest in the same individual who acts as the proprietor, organiser and manager.

b. Second-Hand Goods Dealers:

Organised mostly as individual proprietorship concerns, the retailers dealing in second-hand goods trade in such articles as clothes, books, furniture and other household wares. They assemble second-hand or used articles from those people who have no use for them any longer as also at

public and private auctions. Naturally enough, their customers come mostly from the poorer sections of the society.

c. General Stores:

The general merchants, as they are called, generally set up their shops in most of the residential localities. The general stores stock a wide variety of products which will be needed by the local residents quite frequently in the course of their everyday life. They are a great boon to the consumers particularly in the far-fetched localities.

In their absence, the consumers would have to run to the central market for such minor purchase as tooth-paste or a pair of shoe laces. Such stores are generally run by sole trader concerns. Sales assistants are generally employed to deal with the customers. In very small general stores, the owner himself deals directly with the customers.

d. Single-Line Stores:

Many of the stores in urban areas deal not in a variety of lines of products but in a particular line only. To take examples, a chemist deals in different varieties of chemicals while a cloth dealer sells only cloth though he may stock a number of varieties of cloth. These stores are situated in residential localities as well as central market places. Generally they are organised as individual proprietorships with small amounts of capital investment.

e. Speciality Shops:

These retail agencies are a specialist form of single line stores. They specialise not in the products of a particular line but only in one product of a certain line. Instead of selling a whole range of textiles, a speciality store may deal only in children's wear. Such stores have, of necessity, to be set up in central places. The organisation of such stores is practically the same as that of the single-line stores.

The small-scale retail organisations described above are quite often referred to as 'unit stores'. These stores bring most of the advantages of sole proprietorship in their wake. Their strongest point is the direct and personal service which they render to the consumers in various residential areas.

In fact, these stores have continued to function even after the development of large-scale retail organisations mainly because of their basic utility and convenience to the public at large. On the other hand, the unit stores suffer from the handicap of limited capital and managerial resources.

ii. Large-Scale Retail Shops:

Since retail trading consists in selling goods in small lots, there is a general impression among the lay people that retail organisations would, by implication, be small-scale trading concerns managed by sole traders. This notion about the retail organisation is, however, outmoded and unrealistic.

Modern times have witnessed the rise of some very big organisations managed by large joint-stock companies established to sell goods in small lots. Large-scale retailer is, therefore, not a contradiction in terms as it appears to be. Retailing on a large scale brings with it several of the economies associated with large-scale business organisation in general.

The more important among them, it will be recalled, are better and more effective advertising, better organised selling, increased turnover, lower overheads per unit of commodity sold and improved management of the sales effort under the guidance of experts.

All these economies of large-scale retailing place the large retail units in a superior position in the distributive set-up of a country. But it may be noted here that for all their economies and strength, these units may not be able to oust smaller retail units completely. That is because these units have the advantage of offering convenience of shopping to the customers in various localities and can

generally offer more efficient and personalised service to the consumers on account of their close personal touch with them.

Likewise these units can introduce a greater deal of flexibility in their policies than the large-scale organisations. In the distributive set-up, therefore, the large and the small-scale retailers are likely to continue to co-exist.

Types of Retailers – Departmental Stores, Mail Order Business and Multiple Shops

Type # 1. Departmental Stores:

Technically it is a horizontally integrated retail institution. It has many departments with each department specialising in one kind of merchandise. The departmental store is defined as a large-scale retailing business but which handles a wide variety of shopping and speciality goods and is organised into separate department for the purpose of promotion, service and control.

A peculiar feature of the departmental stores is the decentralised selling. For example there will be cloth department, drugs department, stationary the department, ready-made garments, toys department, etc. In this respect each unit resembles a speciality shop.

But all these departments are centrally controlled and work under one roof. The main idea behind the departmental stores is to supply all requirements from a single place. It is remarked that a departmental store is a place where one could get articles ranging from 'pin to plane'.

Characteristics of Departmental Stores:

- (i) Services towards customers such as – recreational facilities free home delivery, post and telegraph, etc., are provided conveniently.
- (ii) The working of the store is organised on the departmental basis, i.e., departments are established to deal in different items. Each department workers under the supervision of a manager.
- (iii) In spite of the fact that each department is independent in its day to day working but all the departments are owned, managed and controlled centrally.
- (iv) It is a place where a consumer can get all his daily needs from pin to plane except probably some easily perishable items.
- (v) The departmental store is large in size centrally located and capable of attractions to a large number of customers.

Location:

This is a most important element that decides the successful existence of a departmental store. Being a large-scale institution its profit demands upon the large turnover. Only if the location is freely accessible, there would be a flow of customers. Further, the building must be capable or providing car parking, recreational and other facilities.

Organisations:

Joint Stock Company form organisation is usually adopted for departmental stores. The management of the departmental store as a whole is vested in the hands of a Managing Director or a General Manager. Each section or department is controlled by a Manager who is under the direct control of the General Manager. All the activities of a department store are divided into five major sections or divisions to facilitate smooth working of the store.

- (i) Merchandise section looks after buying and selling goods.
- (ii) Store section undertakes advertisement and publicity, window display and other demand creational methods.
- (iii) Service section supervises selection and appointment etc., of the employees.
- (iv) Establishment section supervises selection and appointment etc., of the employees.
- (v) Accounting and finance section takes charge of all financial matters.

Elimination of Middlemen:

Having surveyed the marketing scene, we have acquainted ourselves with the numerous services which the middlemen are rendering to the consumers, the produces and the community at large. Reference has also been made to the drawbacks, limitations, shortcomings and demerits to these agencies and institutions.

How far middlemen are unnecessary and can be done away with without seriously impairing the efficiency of the marketing machinery, is the question that can be taken up for consideration at this stage.

Role of Middlemen:

Those who are for the continuance of middlemen put forth the following arguments in support of their claim:

(i) Middlemen perform some of the important functions of marketing like assembling dispersion, warehousing transport, risk assuming, etc.

(ii) They enable the producers and manufacturers to concentrate on their own problems. In this manner, they bring about a division of labour in the business world. Specialities is the key note of such division of labour. As clerk puts, it, “There seems to be ample scope for the division of the marketing processes among specialised classes of dealers”.

Type # 2. Mail Order Business:

“A mail order house is that type of retail institution which solicits patronage by means of catalogues sent through the mail and containing detailed descriptions of merchandise offered for sale”. This is also referred to as – “Non-store impersonal retailing or shopping by post”. Mail order trading is done through the post office and as such personal selling is avoided. The orders are collected and goods delivered through the medium of post.

Under this system goods are delivered at the very doors of the customers and no help of middlemen is sought. The seller takes all the necessary steps to introduce the product by sending catalogues, circulars or other printed matter to the prospective customers. Publicity through other media is also undertaken. No personal contact is possible between the buyer and the seller.

There are three types of mail order houses:

(i) The Manufacturing types – Products are sold direct to the public by the manufacturer. There is no middlemen.

(ii) The Departmental types – The departmental stores in addition to selling goods through different departments start selling goods by mail.

(iii) The Middlemen types – This is the proper and true mail order business and is run by wholesalers. As and when order are received by post the goods are brought from the manufacturer of other wholesalers and dispatched to the respective parties.

Selling through mail basically depends of how effectively the customers are persuaded to buy. Since the buyers are unable to inspect the goods personally there is always an inhered resistance in them to buy these goods.

The retailing institutions find out the addresses of the prospective buyers (from telephone directories; list of cars owners, voters lists etc.,) and then the illustrative catalogues are sent to their addresses. This is supplemented by advertisements. The catalogues invariably contain an order form together with a stamped self-addressed envelope.

The buyer has simply to pushy signature in the order form mentioning the quantity required. As soon as the orders are received, the goods are packed and handed over to the post office. The goods are generally sent by V.P.P. (Value payable post) and the postman collects the required amount before the goods are delivered to the buyer. The money collected is sent back through post office to the seller.

Type # 3. Multiple Shops:

S.E. Thomas has defined the multiple shops as – “a system under which there is a large number of retail shops owned by the same proprietor which are scattered over the various place of a particular city of a country and are engaged in the same line of activity”.

The very name of ‘multiple shops’ indicate that under his organisation similar shops are established in multiples by the same management. A chain stores system consists of four or more stores which carry the same kind of merchandise are centrally owned and managed and usually goods are supplied from one or more central warehouses.

A chain store is one of the retail units in chain more system. In other words, a chain store (multiple shops) is a group of retail stores essentially the same type, centrally owned and with some degree of centralised control operations. In Europe, this system is called as multiple-shops and the Americans call it ‘chain stores’.

Under the multiple or chain chop arrangement, the main idea as to approach the customers and not to draw the customer to it as is practised in the case of the departmental store. In order to draw large number of customers, attempts are made to open a large number of shops in the same city at different places.

Indian examples of this retail system are offered by Bata shop, Usha sewing machines, etc. Such multiple shops have, “centralised buying with decentralised selling”. Fundamentally they

specialise in one product or products of one producer but with all its varieties or models. The success of this relating ultimately depends upon how the selection of goods is made.

(Source: <https://www.yourarticlelibrary.com/marketing/distribution-channels/types-of-retailers/99723>)

DIFFERENCE BETWEEN DEPARTMENT STORES AND CHAIN STORES.

Following are the top differences between a departmental store and a chain store:

1. Nature of Goods Dealt with

A Departmental Store deals with a large number of goods in a large variety. Multiple shops or chain stores deal in the goods of one manufacturer only.

2. Prices of Goods

Prices of goods are generally higher than market prices at departmental stores. Prices of goods are kept comparatively low at chain stores or multiple shops. Related: 21 Advantages and Disadvantages of Chain or Multiple Stores.

3. Credit Facility

A Departmental Store sells goods both for cash and credit. Chain stores sale only on cash payment.

4. The Facility of Home Delivery

A Departmental store sometimes provides the facility of home delivery. Chain stores do not provide the facility of home delivery.

5. Other Facilities to Customers

Many other facilities are also provided to customers by a Departmental Store, like postage and telegram, telephone, restaurant, toilet, etc. No such facility is provided by chain stores or multiple shops. Related: Top 17 Advantages and Disadvantages of Departmental Stores.

6. Location

A Departmental Store is located at Central Place of a city. Chain stores located at various places and or various cities of the country.

7. Utility

Departmental Store is considered to be useful only for rich people. Chain stores for multiple to be useful both for poor people and the middle class.

8. Risk

It involves higher risk. It involves a lesser risk. Related: How Chain Stores are Managed and Organized? Explained.

9. Purchase of Goods

Every department is independent in making its purchases. All the stores are supplied with goods from the central office.

10. Decoration and Display

Decoration and display of All the departments are different decoration. Decoration and display of all the chain stores are exactly similar. Related: 19 Factors Influencing Entrepreneurship Development.

11. Main Object

The main object of a Departmental Store is to make all the goods of daily use available under one roof.

The main object of multiple shops or chain stores is to distribute the goods of a manufacturer at all the places.

MAIL ORDER BUSINESS

Mail order business may be done by the wholesaler or retailer or even by the manufacturer desiring to sell direct to the consumer. The dominating idea in this form of selling is to attract consumers by means of adequate advertisements, circular letters and literature sent by post. In this way orders are attracted from different parts of the country and the goods are supplied by post.

A “mailing list” is carefully prepared and contains a list of names and addresses of actual and potential customers collected through directories, inquiries, local dealers, etc.

Circular letters and literature are from time to time sent to persons on the mailing list which is kept up-to-date by removal of “dead accounts” and entering of new customers and prospects.

The mailing list is the most important contributor to the success of mail order business. Despite this, the mailing list seems to be given the least importance in practice, mainly because of the cost involved in keeping it up-to-date.

The goods are supplied on the system of P.O.D. (i.e., payment on delivery) or V.P.P. (i.e., value payable through the post).

Along with the sales literature, order form is also sent out. Order forms are carefully drafted so that on receipt of an order form duly filled in by the customer the organization would know the exact requirements of such customer and be in a position to render entire satisfaction to him.

PRE-REQUISITES FOR SUCCESS OF MAIL ORDER BUSINESS.

- Promptness
- Guarantee
- Suitability of goods
- Techniques of selling
- Unpreparedness of middlemen
- High Literacy
- Absence of shopping facilities

MERITS AND DEMERITS OF MAIL ORDER BUSINESS.

Advantages or Merits of mail order business

Mail order system offers the following advantages. They are

1. Less capital Requirement
2. A wide market
3. Unusual buying power
4. No risks of bad debts
5. Efficient use of capital
6. Managerial specialization; and
7. Consumer convenience.

1. **Less capital needs:** Mail order business is known as shopping by post. Customers place orders by post. Goods are either received by value payable post (VPP) or by registered parcel. So, it is a direct method of selling products to ultimate buyers. This is a newer type of retail institution soliciting orders for goods by mail without any salesmen. Such an operation makes it possible for the mail order house to carry a smaller stock of merchandise. So, mail order houses enjoy considerable saving in the investment of capital.

2. **A wide market:** Modern mail order house finds no limit to the market range. It can establish branches at different places. The improvement in postal services has widened the market coverage. Now-a-days the mail order business is carried both nationally and internationally. Adoption of modern mechanical devices to handle orders and prompt supply encourage customers all over the country to buy by mail.

3. **Unusual buying power:** Large mail order houses buy in bulk. Sometimes, they buy an entire lot manufactured by the factories. So, they enjoy economies of large scale buying. Prices are charged less than those of competitors. Mail order houses owned by the manufacturers themselves are able to sell at competitive prices.

4. **No risk of bad debts:** Bad debts can be avoided to a great extent. In mail order business, a vast majority of the goods is sold for cash. Absence of credit system simplifies accounting records. The organization is relieved from the botheration of maintaining receivables. Credit is restricted to buyers who have credit worthiness. Moreover, credit is collected only in installments. So, bad debts are eliminated.

5. **Efficient use of capital:** Capital is efficiently used. After the orders are received, goods are mailed directly to the buyers. middlemen are avoided. So, huge stock of merchandise is not required. Mail order houses carry a smaller inventory. This results in saving in capital investment. As there is rapid turnover of stock, capital is not unnecessarily locked.

6. **Managerial specialization:** Large mail order houses enjoy managerial specialization. Routine matters are entrusted to subordinates. Matters of crucial importance alone are considered by the top management. It also works to be very economical. The proprietors themselves attend the customers.

7. **Consumer convenience:** Mail order business ensures convenience to customers. Consumers get their products without going out for shopping. A consumer can leisurely shop from a catalogue from the comforts of his / her house. It saves time as well as energy. Cheap postal facility justifies direct buying. Customers of distant locations find it easy to buy through mail orders.

Disadvantages or Limitations of mail order business

Mail order business suffers from the following limitations:

1. There is **lack of personal contact** between the seller and the buyer. It cannot meet the unexpected objections raised by customers. It cannot give personal advice and assurance that the goods sold by mail will satisfy the requirements of customers.

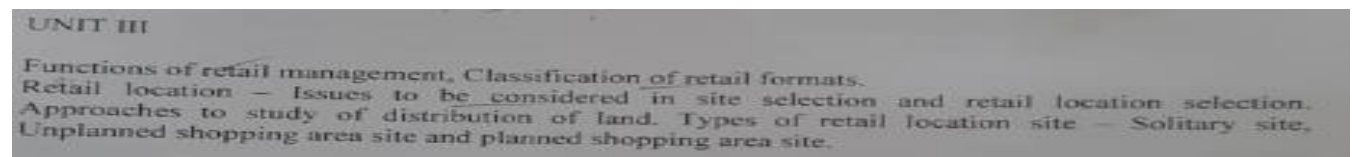
2. There is **scope for fraud, inconvenience** due to delay, misunderstanding of customers, etc.

3. Mail order houses are **confronted with the problems of numerous correspondence**, customer complaints, damage in transit, return of articles, excessive operating cost, credit policies, etc.

4. In mail order business, wide distribution of catalogues is essential. **Colorful catalogues are expensive** and are to be printed in advance. Supplementary catalogues will have to be issued to announce price changes and new offers.
5. Buyers have to **rely wholly upon catalogues** to know about the goods. They cannot inspect the goods before buying them.
6. **After sale service is not extended** to customers.
7. Sometimes, the mail order houses charge **high prices for the articles sold**.
8. Articles requiring demonstration cannot be sold by mail.

(Source: <https://accountlearning.com/advantages-and-disadvantages-of-mail-order-business/>)

UNIT-III



FUNCTIONS OF RETAIL MANAGEMENT

1. Function of breaking bulk

Retailers break up large quantities into smaller units such as individual cans, bottles, packets, appropriate for consumer use.

2. Function of creating place utility

Retailers create place utility by transporting goods to the point of consumption.

3. Stocking Varieties of goods

Retailers buy varieties of goods from various manufacturers or wholesalers. Thus, a retailer provides a wide range of choice enabling the consumers to select the products of their choice.

4. Providing credit facilities to customers

Retailers grant credit facilities to consumers and thus increase their short-term purchasing power.

5. Providing information to customers and wholesalers

Retailers act as a link between the buyers and wholesalers / manufacturers. In the distribution channel, retailers are in direct contact with customers. Retailers supply market information to manufacturers either directly or through wholesalers.

6. Estimating the demand and arranging the purchase of the product

Retailers create demand for products by communicating with their customers. This demand creation is quite helpful for manufacturers and wholesalers.

7. Acting as consumer's agent

The retailers anticipate the wants of the consumers and then supply them the right kind of goods at a reasonable price. Their job is to make the consumer's buying as easy and convenient as possible.

8. Marketing functions

Retailers perform several marketing functions such as sales promotion, advertising and point of purchase display. They induce customers to buy products of reputed companies.

9. Connecting link

The retailers are the connecting link between the wholesaler and the ultimate consumer.

CLASSIFICATIONS OF RETAIL FORMATS

Classification of Retailers on the Basis of Ownership

1. **Sole Proprietorship:** This constitutes the majority as many small business ventures start on a sole proprietorship basis only. In the case of sole proprietorship, the ownership of the business exists with a single person, usually the one who is responsible for the day to day affairs of running the business.
2. **Partnership:** This is also one of the most common business formats in India. In Partnership form of business, the ownership is shared between two or more people for running the business.
3. **Joint Venture:** A Joint venture involves the creation of a third or a new entity due to collaboration between two or more than two parties, with an agreement to manage the business operations in a particular area by combining their resources and sharing their profits as per the well-defined terms and conditions of the contract.

RETAIL LOCATION

Retail store location is also an important factor for the marketing team to consider while setting retail marketing strategy. Here are some reasons –

- 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.

Factors Determining Retail Locations

The marketing team must analyze retail location with respect to the following issues –

- **Size of Catchment Area** – *Primary* (with 60 to 80% customers), *Secondary* (15 to 25% customers), and *Tertiary* (with remaining customers who shop occasionally).
- **Occupancy Costs** – Costs of lease/owning are different in different areas, property taxes, location maintenance costs.
- **Customer Traffic** – Number of customers visiting the location, number of private vehicles passing through the location, number of pedestrians visiting the location.
- **Restrictions Placed on Store Operations** – Restrictions on working hours, noise intensity during media promotion events.

- **Location Convenience** – Proximity to residential areas, proximity to public transport facility.

ISSUES TO BE CONSIDERED IN THE SITE SELECTION AND RETAIL LOCATION SELECTION

The location strategy should consider the following flights

consumer choice:

consumer choice is the most important factor to be considered while selecting the site of the store. customers are in the habit of visiting a school as a place of doing business for themselves. the addition of what to shop is largely influenced by the location of the store.

competitive advantage

and intense competition provides in the retail market. the decision of retail location is of strategic importance as retailers can gain and long-term competitive advantage by selecting the best location.

social and structural change

any decision on location should taken into account the current social and structural changes in the society. increase views of motor car the importance of out of town shopping the image and Power of reading branch or some important factors which cause change in society.

Huge investment

development of retail site requires huge investment the land cost escalated. alternatively if retailers obtained land on lease basis they have to pay high rents.

asset of the company

the assets owned by the company or as important as its turnover the value of the charger should keep growing in the long run.

Paucity of sites

government applies restriction on development of flights by retailer for their operations. obtaining permission is also not easy the planning policy guidelines should include the following enhancing the viability of town centres, maximizing the use of means of transport other than personal transport.

APPROACHES TO STUDY OF DISTRIBUTION OF LAND

1. Concentric zone approach.

This **theory** states that the **concentric** circles are based on the amount that people will pay for the land. This value is based on the profits that are obtainable from maintaining a business on that land. The center of the town will have the highest number of customers so it is profitable for retail activities.

2. Sector approach.

Sector approach takes into consideration the importance of commercial areas in relation to residential development .high rent residential areas move away from the city. they pull the city in the direction of such a moment retailers who are financially strong follow the high rent areas and moved from the business area of the city.

3. Multiple nuclei.

Nucleus the plural of nucleus two or more groups and the nucleus of retailing activities multiple nuclear regulate the different types of activity will group together such groups or Shopping Centre business district residential areas.

Difference among Concentric and Sector models 1) concentric model with circular pattern of land use zones; while sector model with sectoral pattern of land use zones 2) land use zones in sector model developed along transport routes radiating out from CBD; while concentric model never mention the transport development 3) sector model emphasizes the repelling forces of land uses; but concentric model concerns the invasion, succession forces on the pattern of the land use

Difference among Concentric, Sector and Multiple nuclei models 1) monocentric – concentric, sector model; polycentric – multiple nuclei 2) multiple nuclei more complex in term of land use zones, e.g. industrial suburbs 3) multiple nuclei allows the suburbanization, transport development, outward growth of city 4) multiple nuclei model gives the idea of land use pattern of a city only

TYPES OF RETAIL LOCATION SITE

Solitary Sites

These are single, free standing shops/outlets, which are isolated from other retailers. They are positioned on roads or near other retailers or shopping centers. They are mainly used for food and non-food retailing, or as convenience shops. For example, kiosks, mom-and-pop stores (similar to *kirana* stores in India).

Advantages – Less occupancy cost, away from competition, less operation restrictions.

Disadvantages – No pedestrian traffic, low visibility.

UNPLANNED SHOPPING AREA SITE AND PLANNED SHOPPING AREA SITE.

Unplanned Shopping Areas

These are retail locations that have evolved over time and have multiple outlets in close proximity. They are further divided as –

- Central business districts such as traditional “downtown” areas in cities/towns.
- Secondary business districts in larger cities and main street or high street locations.
- Neighborhood districts.
- Locations along a street or motorway (Strip locations).



Advantages – High pedestrian traffic during business hours, high resident traffic, nearby transport hub.

Disadvantages – High security required, threat of shoplifting, Poor parking facilities.

Planned Shopping Areas

These are retail locations that are architecturally well-planned to provide a number of outlets preferably under a theme. These sites have large, key retail brand stores (also called “**anchor stores**”) and a few small stores to add diversity and elevate customers’ interest. There are various types of planned shopping centers such as neighborhood or strip/community centers, malls, lifestyle centers, specialty centers, outlet centers.



Advantages – High visibility, high customer traffic, excellent parking facilities.

Disadvantages – High security required, high cost of occupancy.

Source: https://www.tutorialspoint.com/retail_management/retail_business_location.htm)

Questions:

Define retailing

Write the characteristics of retailing.

Explain the functions of retailing.

Discuss the types of retailers.

Describe the characteristics of mail order business.

Write the difference between Departmental Store and chain store.

Write the merits and demerits of mail order business.

Explain the issues to be considered in site selection.

Elaborate on the approaches to study the distribution of land.

Define brand loyalty.

State brand.

What are itinerant retailers?

State Solitary site.

Explain the prerequisites for success of mail order business.

Explain the functions of Retail Management.

Discuss the classification of retail formats.

Describe the types of retail location sites.