

PREFACE

In the curricular structure introduced by this University for students of Post-Graduate Diploma programme, the opportunity to pursue Post-Graduate course in any subject is equally available to all learners. Instead of being guided by any presumption about ability level, it would perhaps stand to reason if receptivity of a learner is judged in the course of the learning process. That would be entirely in keeping with the objectives of open education which does not believe in artificial differentiation.

Keeping this in view, study materials of the Post-Graduate Diploma in different subjects are being prepared on the basis of a well laid-out syllabus. The course structure combines the best elements in the approved syllabi of Central and State Universities in respective subjects. It has been so designed as to be upgradable with the addition of new information as well as results of fresh thinking and analyses.

The accepted methodology of distance education has been followed in the preparation of these study materials. Co-operation in every form of experienced scholars is indispensable for a work of this kind. We, therefore, owe an enormous debt of gratitude to everyone whose tireless efforts went into the writing, editing and devising of a proper lay-out of the materials. Practically speaking, their role amounts to an involvement in invisible teaching. For, whoever makes use of these study materials would virtually derive the benefit of learning under their collective care without each being seen by the other.

The more a learner would seriously pursue these study materials the easier it will be for him or her to reach out to larger horizons of a subject. Care has also been taken to make the language lucid and presentation attractive so that they may be rated as quality self-learning materials. If anything remains still obscure or difficult to follow, arrangements are there to come to terms with them through the counselling sessions regularly available at the network of study centres set up by the University.

Needless to add, a great part of these efforts is still experimental—in fact, pioneering in certain areas. Naturally, there is every possibility of some lapse or deficiency here and there. However, these do admit of rectification and further improvement in due course. On the whole, therefore, these study materials are expected to evoke wider appreciation the more they receive serious attention of all concerned.

Professor (Dr.) Manimala Das
Vice-Chancellor

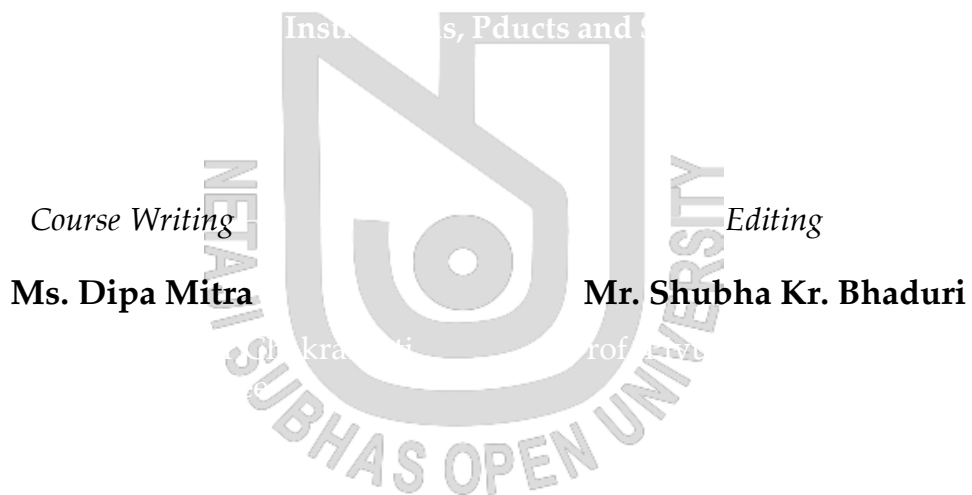


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Post-Graduate Diploma in Retail Management

Paper - 4A Retail Operation



Notification

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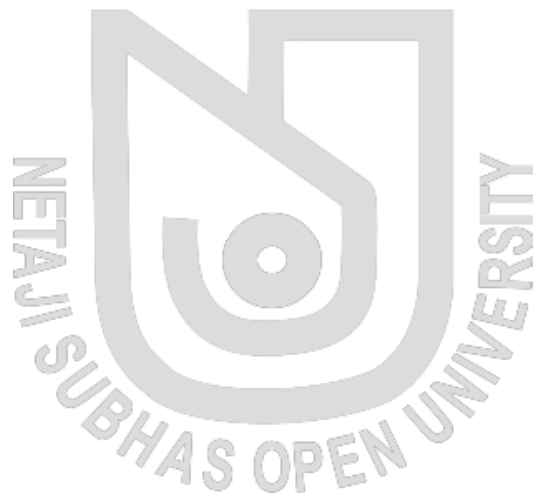




**Netaji Subhas
Open University**

**PG Diploma in
Retail Management
Paper - 4A
(Retail Operation)**

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Unit-1 Merchandising

Structure

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1.5 Exercises

1.1 Merchandise

1.1.1 Meaning

Merchandising refers to the methods, practices and operations conducted to promote and sustain certain categories of commercial activity.

The American Marketing Association has defined merchandising as "the planning involved in marketing the right merchandise at the right place at right time at the right quantity at the right price".

The merchandising challenge consistently having the right product in the right quantity available at the right place, at the right time and the right price becomes increasingly difficult. So achieving these five rights is the key to successful merchandising and many a times remains the elusive goal for most of the retailers.

1.1.2 Brand Merchandising

Brand Merchandising is the ability to take a company logo or "brand" and effectively place it on products that are purchased or used by consumers. Brand Merchandising is a form of General Awareness and more successful companies utilize it.

1.1.3 Visual Merchandising

Visual merchandising, until recently called simply **merchandising**, is the *activity of promoting the sale of goods, especially by their presentation in retail outlets*. This includes combining product, environment, and space into a stimulating and engaging display to encourage the sale of a product or service. It has become an important element in retailing that is a team effort involving senior management, architects, merchandising managers, buyers, the visual merchandising director, designers, and staff. Visual merchandising starts with the store building itself. The management decides on the store design to reflect the products the store is going to sell and how to create a warm, friendly, and approachable atmosphere for its potential customers.

1.1.4 Merchandising in retail industry

Merchandising has always been part of the retail industry ever since the first trade stall was set up. Initially, when the retailers used to operate one or two stores the function of buying and pricing merchandising was much simpler. In many cases, the retailers himself used to do all those tasks.

Gradually, when the retailers started adding stores and categories, the workload on the buyers increased significantly. In order to overcome this situation, retailers need to have proper merchandise management.

1.1.5 Merchandise management

Merchandise management can be termed as the analysis, planning, acquisition, handling and control of the merchandise investments in the retail operation.

Analysis is the first step because the retailers must be able to correctly identify their customers before they can ascertain customer desires and their needs/ requirements for making a good buying decision.

Planning is important because the merchandise to be sold in the future must be bought now

Acquisition is necessary because the merchandise needs to be procured from others—either distributors or manufacturers

Handling involves seeing that whether the merchandise is at the required place and in the proper condition to be sold

Control is important for the amount of money spend for buying.

1.1.6 Factors effecting merchandise function

Types of the store

Organization structure

Size of the organization

Merchandise to be carried

1.1.7 Merchandising philosophy

The merchandising philosophy is a reflection of the retailer's target market, which is the customer segment that he wishes to cater to. Keeping the target market in mind, the retailer has to evolve a strategy for store location, pricing and the product assortment to be offered to the customers. The merchandising philosophy will also help the retailer to determine the role to be played by the various persons involved in the merchandising function. The duties and responsibilities can be clearly defined and this helps in the smooth functioning of the merchandising department.

1.2 Devising Merchandising Plans

1.2.1 Merchandise Planning

A forecast of specific merchandise purchased and its value, typically for a period of six months or a year.

The key purpose -

To provide an estimate of the amount of capital required to be invested for a specific period.

Merchandise planning can be defined as the planning and control of the merchandise inventory of the retail firm, in such a manner, which balance the expectations of the target customers and the strategy of the firm.

1.2.2 Planning for success

In the large retail store, we find a dizzying array of goods to clothe our bodies, decorate our homes and entertain our families. All of these merchandise come in a variety of sizes, colours, makes and models. Bringing it all together requires the successful coordination of numerous individuals and divisions, including buyers, warehouse employees, financial staff, store operations, etc. Yet, merchandising takes top priority. It doesn't matter how efficiently the other departments are operating.

Before planning a retailer has to consider some points so that plan can be effective. These are as follows:

- 1 Forecasts- it refers to expected retail sales
- 2 Innovativeness- by this a retailer can get so many benefits like sales can be increase, customer can get attract etc.
- 3 Assortment -an assortment is the selection of merchandise which a retailer carries
- 4 Brand- brand can make the image of the retailers' product that is why brand is a very important factor in retailing
- 5 Timing- time is the great factor in business. Product should be launched at the right time.
- 6 Allocation- allocations refer to how much merchandise to be stored in sales floor, how much to be kept in a stockroom etc.

1.2.3 Merchandise planning process

The merchandise planning process allows the retail buyer to forecast with some degree of accuracy, what to purchase and when to have it delivered. This will greatly assist the company in attaining its sales and gross margin goals. Buyers must rely heavily on historical sales data, coupled with personal experience and their own intuition about market trends.

As a marketer one must follow the steps stated below for an effective merchandise planning-

Step 1: Define Your Merchandise Policy

Every retail organization must have a vision in order to provide it's buyers with some insight into the following business components:

Demographics of current and potential customers.

Store's image.

Merchandise quality levels.

Price point policy.

Marketing approach.

Customer service levels.

Desired profit margins.

This will allow you to develop a clear merchandise policy that outlines buying goals and objectives. Communicating this policy effectively will not only provide direction, but should also drive all decision making throughout the merchandise planning process.

Step 2: Gather Historical Information

In building a six month plan, the objective is to prepare a month-by-month total Rupee-purchasing schedule for the company. Then, repeat this process for the next level of detail (i.e. the departmental level). Depending on the sophistication of company information systems, each department can then be broken down into smaller segment "classes", for which a similar sales plan is prepared. The first step in preparing these plans is to pull the sales information for the same period last year. Not only should we gather actual sales numbers, but also statistics on returns, markdowns and any inventory carry-over. Unless your store is computerized, detail of this nature will not always be available. However, even a manual analysis of total merchandise

purchases will provide you with an acceptable level of data, which is far better than having no information at all.

Step 3 : Performance Analysis

Most professionals will agree that the buying process is 90% analytical and 10% intuitive. In other words, you must do your homework to achieve any level of success. But your efforts will be rewarded. As the most critical aspect of a successful operation, buying/ merchandise management is what retail is all about. "Qualitative Analysis" refers to "identifying the proper components in a mixture". In this case, the mixture is the merchandise plan and the components that affect this plan are as follows:

- (a) Customer Profile Analysis
- (b) Department Analysis
- (c) Key Department Trends
- (d) Major Vendor Analysis
- (e) Advertising Review
- (f) Visual Presentation Analysis

Step 4 : Assortment planning

Assortment planning involves determining the quantities of each product that will be purchased to fit into the overall merchandise plan. Details of colour, size, brand, materials, etc. have to be specified. The main purpose of creating assortment plan is to create a balanced assortment of merchandise for the customer.

Steps in assortment planning process-

- Decide the categories and sub-categories of the products
- Determine the brands and price lines
- Identify all the general characteristics of an item that customers may consider important when buying
- Decide on the proportion of one classification to another and determine the proportion in which each selecting factor will be represented in the stock
- Calculate the specific units to be purchased

1.3 Buying Organization

1.3.1 Buyers

Buyers play an important role in the retail industry. They select and order merchandise to be sold. The skill with which they do this directly affects the sales volume of their store and its share of the total retail market.

Buyers may be responsible for buying a department, an entire store, or a chain store. It is important that the buyers maintain a balanced inventory and a budget agreed upon between themselves and the store or merchandising manager.

1.3.2 Retail Buying

Buying is a function that ensures that retailer has the right merchandise at right price.

It involves forecasting the requirements of the customers of the store and setting up a plan that incorporates details of the merchandise and financial implications.

Objectives of Buying

There are three levels in Buying Objectives

General, managerial level -It includes five rights-

- Right quality
- Right suppliers
- Right quantity
- Right time
- Right price

Specific, functional or operational level-There are eight basic objectives

- To support company operations with an uninterrupted flow of materials and services
- To buy competitively
- To buy wisely
- To keep inventory investment and investment losses at a practical minimum
- To develop effective and reliable sources of supply
- To develop good relationships with the supplier community
- To achieve maximum integration with other departments
- To handle the buying function proactively in a cost-effective manner

Detailed level -

The purchase department formulates policies which serve as general guidelines to channel their actions towards the attainment of desired objectives.

The purchase and supply policies establish the ground rules for the department's relationship with other departments, and inform the buying personnel about the expected conduct of department activities.

1.3.3 The function of buying for different types of organization

The function of buying and merchandising varies from organization to organization. The role of the buyer and merchandiser would hence, vary. Similarly, the level within the hierarchy would also vary.

1.3.3.1 Buying for a single/independent store

In every retail organization, no matter what the size, the most fundamental activities are buying of merchandise and reselling to the end customers. In small independent stores, one person is typically the owner as well as the manager. He is responsible for all the business operations of the store, including all the buying and merchandising duties. It is, hence necessary that he must have a thorough understanding of the buying process. As the owner has direct access to the end consumers, he would have a better understanding of their needs and wants and the function of buying would be as per the requirements.

Typically, if the role of a buyer has been created in such an organisation, it would involve:

Coordinating the purchasing for various products required by the store

Writing orders

Handling special orders as and when they arise

Making decisions regarding merchandise returns

Remerchandising the store

Taking decisions with respect to the pricing of the product

Planning and coordinating various promotional activities and events and in store-presentation of the merchandise

Customer contact and selling

1.3.3.2 Buying for a chain store or a chain of departmental stores

As the operation of the chain store is typically larger than that of an independent store; the buyer in such an organization needs to be a specialist. Merchandising in chain stores is characterized by

- Central buying plans
- Central merchandising plans

A retail chain operates in more than one region. The store therefore, has to serve the needs of a diverse consumer market. The needs and wants may be different. The buyer therefore, needs to be aware of these peculiarities in the market, before he progresses with the buying of merchandise. It is also necessary that the buyer completely understands the type of products that are needed by the market that the retailer is catering to. As the retailer is catering to a diverse market, the estimate of sales needs to be as close to accurate as possible. If this does not happen, it will result in over buying or under buying, both of which affect the profitability of the product and therefore, the retailer.

1.3.3.3 Buying for non-store retailers- catalogues, direct mail, home shopping, e-tailing etc.

The process of buying and merchandising for a non-store retailer will vary from that of a store retailer. The mail order buyer needs to plan well in advance, as the production of the catalogue takes a long time. In addition, the large variety of merchandise needs a fair amount of market work. Buyers for an e-tail venture need to have a clear understanding of the type of products that consumer would buy on the net. Very often, in direct marketing or e-tailing, it is the uniqueness of the product and a competitive price, which make the difference. Thus the nature of the organization is an important factor affecting the function of merchandising.

1.3.4 Format and process

The following are the format and the process of buying organization

- 1 Level of formality- Two types of organization comes in this case; either formal organization. or informal organization.
- 2 Degree of centralization - according to the organization power can be centralized or decentralized.

- 3 Organizational breadths - in this general and specialized category come. In general category different items can come but in specialized one only specific items can come
 - 4 Personnel resources -resources can be two type first is internal and second can be external
 - 5 Functions performed- in this two views comes first merchandise and second buying
 - 6 Staffing- In this we consider the staff who is sales manager or who is buyer
-

1.4 Merchandise Procurement

1.4.1 Merchandise sourcing

Having determined the type of merchandise to be stocked in the retail store, the merchandise then needs to be either manufactured or sourced. The process of merchandise sourcing starts with the identification of the sources of supply. The first decision which has to be taken is whether the merchandise can be sourced from domestics or regional markets or from international market. This is largely related to the type of retail organization, the product being offered and the target consumers. For example, exclusive watches, perfumes etc. may be imported from international market.

The term sourcing means finding or seeking the products from different places, manufacturers or suppliers. It is the key element of retail as it influences primarily, the availability of the stock, the margins earned by the retailer and the stock-turns achieved. Sourcing is not without any risk, but at the same time, it holds the key to improve the service, product offer and overall profitability. It enables the retailer to offer winning product.

Negotiation and cost management play a key role and hence it becomes necessary to ensure sourcing is well integrated with the retailer's overall business strategy and that sourcing activities closely follow the direction set by the overall business strategy. The process of merchandise buying is a five-step process, discussed as follows.

1.4.2 Method of procuring merchandise

1. Identifying the sources of supply

The first step in the process of sourcing is to identify the sources of

supply. Here, it is to be decided that whether the product will be sourced from the domestic market or from the international market.

Domestic sources of supply may be located by visiting central markets, trade shows or expositions. Usually, each city has its own central market where a large number of key suppliers are located. A visit to such a location enables the buyer to understand the trends in the market and evaluate the new resources and merchandise offerings. Cost associated to global sourcing include- country of origin effects, foreign currency fluctuations, tariffs, foreign trade zones, cost of carrying inventory, transportation costs etc.

2. Contracting and evaluating the sources of supply

Contracting a source of supply may be as simple as having a representative of the supplier visit the office, meet the buyer and showcase a collection of merchandise. This is often termed as a vendor initiated contact. The other method of contacting sources of supply is termed as retailer initiated contact.

Now the decision is to be taken on potential vendors. The following criteria needs to be kept in mind-

- The target market for whom the merchandise is being purchased
- The image of the retail organization and the fit between the product and the image of the retail organization
- The merchandise and prices offered
- Terms and services offered by the vendor
- The vendor's reputation and reliability

3. Negotiating with the sources of supply

The retail buyer then needs to negotiate the price, the delivery dates, the discounts, the shipping terms and possibilities of returns. While negotiating with the vendors, it is necessary to keep in mind the vendor's history, his goals and constraints. At the same time, the buyers need to be aware of the real deadlines and work towards fulfilling them. The following are the types of the discounts that could be available to the buyers-

- Trade discounts-reduction in the manufacture's suggested retail price, granted to wholesalers or retailers
- Chain discounts a number of discounts are taken sequentially from the suggested retail price
- Quantity discounts-can be cumulative or non-cumulative; retailers use to

earn quantity discounts by purchasing certain quantities over a specified period of time

Seasonal discounts-additional discount offered as an incentive to retailers to order merchandise in advance of the normal buying season

Cash discounts- reduction from the invoice cost, for paying the invoice prior to the end of discount period

4. Establishing vendor relations

Retailers have for long been cautious of sharing information with their suppliers. This is hardly surprising- considering their traditionally competitive relationship, with both sides trying to get the best of every deal. However, times have changed, and many retail organizations work with their suppliers as a team, to create a competitive advantage.

Shared information is a vital component of this new approach, but only if the right information is shared with the right people for the right reasons.

The right information is that which can be used by the right people to provide quality service.

Thus to maintain strategic partnerships with vendors, the buyers need to build on mutual trust, open communication, common goals and credible commitments.

5. Analyzing vendor performance

Each retailer has his own criteria for the selection of vendors. The starting point may be a vendor registration form, which provides details on address, preferred mode of payment, sales tax number, etc. registration with the relevant tax authorities, e.g. sales tax, is a basic used by many retailers to eliminate suppliers.

In case a buyer is dealing with multiple vendors for a particular product category, he can draw conclusion on vendor performance by listing out the following:

The total orders placed on the vendor in a year

The total returns to the vendor, the quality of the merchandise

The initial markup on the products

The markdowns, if any

Participation of the vendor in various schemes and promotions

Transportation expenses if borne by the retailer

Cash discounts offered by the vendors

The sales performance of the merchandise

1.4.3 Vendor Procurement and Negotiations

1.4.3.1 Procurement Negotiation

It is not uncommon to find that organizations lack the skills required to conduct a successful negotiation. Vendors understand this. They train their salespeople extensively in the art of negotiation. Salespeople use techniques that exploit lack of negotiating knowledge in different areas of an organization. They avoid knowledgeable negotiators such as Procurement departments and employ techniques with names like "Divide and Conquer".

1.4.3.2 Forewarned is Forearmed

What a vendor means by commitment
The difference between needs, requirements and specifications
Maximizing your negotiation leverage
The structure of a negotiating team
Who is at risk?
When does win/win apply?
How to avoid vendor control
The four phases of negotiation

1.4.3.3 Facing the Vendor

Getting internal commitment
When is negotiation not an event?
Who gets to negotiate
Negotiation objectives and priorities
How to document negotiations
When to get a warranty, when to get a remedy
Contracts that work in your favor
What to do when the vendor is an "expert"
What you don't know can hurt you!
What "getting it in writing" really means
Vendor tactics like:
Divide and Conquer
The Umbilical Cord.
If I Can Get My Manager to Approve It...
Stratospheric Calling

Trust Me
Regulations Won't Allow It
The Year-End Deal
How to select a vendor
How to bargain
The critical factors

1.4.3.4 Managing the Vendor

Getting what you paid for
Incenting vendors to give you better deals
What happens after the ink has dried
Optimizing vendor performance
Managing and navigating in the contract maze

1.5 Exercises

1. Define merchandising. Explain merchandise planning process.
2. What is meant by retail buying? Discuss the objectives of buying.
3. Elucidate the function of buying merchandise for different types of organization.
4. Discuss method of procuring merchandise.
5. Explain vendor procurement and negotiations in detail.

Unit-2 Inventory, Logistics And Supply Chain Management

Structure

2.1 Inventory Management

2.1.1 Inventory

2.1.1.1 Meaning

2.1.2 Inventory Management

2.1.3 Business inventory

2.1.3.1 The reasons for keeping stock

2.1.4 Special terms used in dealing with inventory

2.2 Logistics And Warehousing

2.2.1 Logistics

2.2.1.1 Meaning

2.2.1.2 Different types of logistics

2.2.1.3 Logistics chain

2.2.1.4 Logistics management

2.3 Warehouse

2.3.1 Meaning

2.3.2 Automation and optimization

2.3.3 Modern trends

2.3.4 Internet impact

2.3.5 Types of warehouse storage systems

2.4 Supply Chain Management

2.4.1 Meaning

2.4.2 Scope

2.4.3 Elements

2.4.4 Objectives

2.4.5 Functions

2.4.6 Activities

2.4.7 Determining Factors of Retail Supply Chain (RSC)

2.5 Exercises

2.1 Inventory Management

2.1.1 Inventory

2.1.1.1 Meaning

Inventory is a list of goods and materials, or those goods and materials

themselves, held available in stock by a business. It is also used for a list of the contents of a household and for a list for testamentary purposes of the possessions of someone who has died. In accounting inventory is considered an asset.

2.1.2 Inventory Management

Involves a retailer seeking to acquire and maintain a proper merchandise assortment while ordering, shipping, handling, and related costs are kept in check.

Systems and processes that identify inventory requirements, set targets, provide replenishment techniques and report actual and projected inventory status.

Handles all functions related to the tracking and management of material. This would include the monitoring of material moved into and out of stockroom locations and the reconciling of the inventory balances. Also may include ABC analysis, lot tracking, cycle counting support etc.

Management of the inventories, with the primary objective of determining, controlling stock levels within the physical distribution function to balance the need for product availability against the need for minimizing stock holding and handling costs.

In business management, inventory consists of a list of goods and materials held available in stock.

2.1.3 Business inventory

2.1.3.1 The reasons for keeping stock

There are three basic reasons for keeping an inventory:

1. Time - The time lags present in the supply chain, from supplier to user at every stage, requires that you maintain certain amount of inventory to use in this "lead time"
2. Uncertainty - Inventories are maintained as buffers to meet uncertainties in demand, supply and movements of goods.
3. Economies of scale - Ideal condition of "one unit at a time at a place where user needs it, when he needs it" principle tends to incur lots of costs in terms of logistics. So bulk buying, movement and storing brings in economies of scale, thus inventory.

All these stock reasons can apply to any owner or product stage.

Buffer stock is held in individual workstations against the possibility

that the upstream workstation may be a little delayed in long setup or change-over time. This stock is then used while that change-over is happening. This stock can be eliminated by tools like SMED.

These classifications apply along the whole supply chain not just within a facility or plant.

2.1.4 Special terms used in dealing with inventory

Stock Keeping Unit (SKU) is a unique combination of all the components that are assembled into the purchasable item. Therefore any change in the packaging or product is a new SKU. This level of detailed specification assists in managing inventory.

Stockout means running out of the inventory of an SKU.

"New old stock" (sometimes abbreviated NOS) is a term used in business to refer to merchandise being offered for sale which was manufactured long ago but that has never been used. Such merchandise may not be produced any more, and the new old stock may represent the only market source of a particular item at the present time.

Whilst the reasons for holding stock are covered earlier, most manufacturing organizations usually divide their "goods for sale" inventory into:

Raw materials - materials and components scheduled for use in making a product.

Work in process, WIP - materials and components that have begun their transformation to finished goods.

Finished goods - goods ready for sale to customers.

Goods for resale - returned goods that are salable.

Spare parts

2.2 Logistics And Warehousing

2.2.1 Logistics

2.2.1.1 Meaning

Logistics is the management of the flow of goods, information and other resources, including energy and people, between the point of origin and the point of consumption in order to meet the requirements of consumers (frequently, and originally, military organizations). Logistics involves the integration of information, transportation, inventory, warehousing, material-

handling, and packaging, and occasionally security. Logistics is a channel of the supply chain which adds the value of time and place utility.

2.2.1.2 Different types of logistics

Third-party logistics

Third-party logistics involves the utilization of external organizations to execute logistics activities that have traditionally been performed within an organization itself. According to this definition, third party logistics includes any form of outsourcing of logistics activities previously performed in-house. If, for example, a company with its own transport facilities decides to employ external warehouse specialist, this would be an example of third party logistics.

Business logistics

Logistics as a business concept evolved only in the 1950s. This was mainly due to the increasing complexity of supplying one's business with materials and shipping out products in an increasingly globalized supply chain, calling for experts in the field who are called Supply Chain Logisticians. This can be defined as having the right item in the right quantity at the right time at the right place for the right price in the right condition to the right customer and is the science of process and incorporates all industry sectors. The goal of logistics work is to manage the fruition of project life cycles, supply chains and resultant efficiencies.

In business, logistics may have either internal focus (inbound logistics), or external focus (outbound logistics) covering the flow and storage of materials from point of origin to point of consumption (see supply chain management). The main functions of a qualified logistician include inventory management, purchasing, transportation, warehousing, consultation and the organizing and planning of these activities. Logisticians combine a professional knowledge of each of these functions so that there is a coordination of resources in an organization. There are two fundamentally different forms of logistics. One optimizes a steady flow of material through a network of transport links and storage nodes. The other coordinates a sequence of resources to carry out some project.

Production logistics

The term is used for describing logistic processes within an industry. The purpose of production logistics is to ensure that each machine and workstation

is being fed with the right product in the right quantity and quality at the right point in time.

The issue is not the transportation itself, but to streamline and control the flow through the value adding processes and eliminate non-value adding ones. Production logistics can be applied in existing as well as new plants. Manufacturing in an existing plant is a constantly changing process. Machines are exchanged and new ones added, which gives the opportunity to improve the production logistics system accordingly. Production logistics provides the means to achieve customer response and capital efficiency.

Production logistics is getting more and more important with the decreasing batch sizes. In many industries (e.g. mobile phone) batch size one is the short term aim. This way even a single customer demand can be fulfilled in an efficient way. Track and tracing, which is an essential part of production logistics - due to product safety and product reliability issues - is also gaining importance especially in the automotive and the medical industry.

2.2.1.3 Logistics chain

The logistics chain includes the owners (wholesalers and retailers), manufacturers' agents, and transportation channels that an item passes through between initial manufacture and final purchase by a consumer. At each stage, goods belong (as assets) to the seller until the buyer accepts them. Distribution includes four components:

1. Manufacturers' agents: Distributors who hold and transport a consignment of finished goods for manufacturers without ever owning it. Accountants refer to manufacturers' agents' inventory as "matériel" in order to differentiate it from goods for sale.

2. Transportation: The movement of goods between owners, or between locations of a given owner. The seller owns goods in transit until the buyer accepts them. Sellers or buyers may transport goods but most transportation providers act as the agent of the owner of the goods.

3. Wholesaling: Distributors who buy goods from manufacturers and other suppliers (farmers, fishermen, etc.) for re-sale work in the wholesale industry. A wholesaler's inventory consists of all the products in its warehouse that it has purchased from manufacturers or other suppliers. A produce-wholesaler (or distributor) may buy from distributors in other parts of the world or from local farmers. Food distributors wish to sell their inventory to grocery stores, other distributors, or possibly to consumers.

4. Retailing: A retailer's inventory of goods for sale consists of all the products on its shelves that it has purchased from manufacturers or wholesalers. The store attempts to sell its inventory (soup, bolts, sweaters, or other goods) to consumers.

2.2.1.4 Logistics management

Logistics management is that part of the supply chain which plans, implements and controls the efficient, effective forward and reverse flow and storage of goods, services and related information between the point of origin and the point of consumption in order to meet customer & legal requirements.

2.3 Warehouse

2.3.1 Meaning

A warehouse is a commercial building for storage of goods. Warehouses are used by manufacturers, importers, exporters, wholesalers, transport businesses, customs, etc. They are usually large plain buildings in industrial areas of cities and towns. They come equipped with loading docks to load and unload trucks; or sometimes are loaded directly from railways, airports, or seaports. They also often have cranes and forklifts for moving goods, which are usually placed on ISO standard pallets loaded into pallet racks.

2.3.2 Automation and optimization

Some warehouses are completely automated, with no workers working inside. The pallets and product are moved with a system of automated conveyors and automated storage and retrieval machines coordinated by programmable logic controllers and computers running logistics automation software. These systems are often installed in refrigerated warehouses where temperatures are kept very cold to keep the product from spoiling, and also where land is expensive, as automated storage systems can use vertical space efficiently. These high-bay storage areas are often more than 10 meters high, with some over 20 meters high.

2.3.3 Modern trends

Traditional warehousing has been declining since the last decades of the 20th century with the gradual introduction of Just In Time (JIT) techniques designed to improve the return on investment of a business by reducing in-process inventory. The JIT system promotes the delivery of product directly

from the factory to the retail merchant, or from parts manufacturers directly to a large scale factory such as an automobile assembly plant, without the use of warehouses. However, with the gradual implementation of offshore outsourcing and offshoring in about the same time period, the distance between the manufacturer and the retailer (or the parts manufacturer and the industrial plant) grew considerably in many domains, necessitating at least one warehouse per country or per region in any typical supply chain for a given range of products.

Recent developments in marketing have also led to the development of warehouse-style retail stores with extremely high ceilings where decorative shelving is replaced by tall heavy duty industrial racks, with the items ready for sale being placed in the bottom parts of the racks and the crated or palletized and wrapped inventory items being usually placed in the top parts. In this way the same building is used both as a retail store and a warehouse.

Modern warehouses are also used at large by exporters/manufacturers as a point of developing retail outlets in a particular region or country. This concept reduces the end cost of the product to the consumer and thus enhances the production sale ratio. Warehousing is an age old concept which can be used as sharp tool by original manufacturers to reach out directly to consumers leaving aside or bypassing importers or any other middle agencies or person.

2.3.4 Internet impact

19th century warehouse in Kentucky used to age bourbon whiskey casks, seen closely through the warehouse windows

The internet has had an influence on warehouses too. Internet-based stores do not require physical points of selling. However, warehouses are still required to store the goods. Since direct contact with customers means many small orders, this is a different situation where stores would be ordering large numbers of goods. Simply said, warehouses change from shipping large quantities of goods to shipping large numbers of small quantities of goods.

Having a large and complex supply chain containing many warehouse may be costly. Sometimes, it is beneficial to have one large warehouse per continent. This warehouse should be located at a central point, where transport is available to all other destinations. At these continental hubs, goods have to be customized for different countries. For example, goods get a price ticket in the language of the country where it will go. Making small adjustments to goods at a warehouse is called value added services.

2.3.5 Types of warehouse storage systems

Some of the most common types of warehouse storage systems are:

Pallet rack including selective, drive-in, drive-thru, double-deep, pushback, and gravity flow.

Mezzanine including structural, roll formed, rack supported, and shelf supported.

Cantilever Rack including structural and roll formed.

Industrial Shelving including metal, steel, wire, and catwalk.

Automated Storage and Retrieval System (ASRS) including vertical carousels, vertical lift modules, horizontal carousels, robotics, mini loads, and compact 3D.

2.4 Supply Chain Management

2.4.1 Meaning

Supply chain is a network of interconnected organizations or organizational entities developed with the goal of getting the right product to the right place at the right time

2.4.2 Scope

Supply chain encompasses every effort involved in producing and delivering a final product, from the supplier's supplier to the customer's customer.

Supply chain efforts include managing supply and demand, sourcing raw materials and parts, manufacturing and assembly, warehousing, information management, distribution and delivery to customers

2.4.3 Elements

Supply chain consists of elements internal and external to the company
These elements range from material producers to the customers

All supply chain elements must be appropriately integrated for a company to be able to effectively compete in chosen markets

2.4.4 Objectives

Maximize overall value created

Supply chain value: difference between what the final product is worth

to the customer and the effort the supply chain expends in filling the customer's request

Value is correlated to supply chain profitability (difference between revenue generated from the customer and the overall cost across the supply chain)

Supply chain incurs costs (information, storage, transportation, components, assembly, etc.)

Supply chain profitability is total profit to be shared across all stages of the supply chain

Supply chain success should be measured by total supply chain profitability, not profits at an individual stage

Sources of supply chain revenue: the customer

Sources of supply chain cost: flows of information, products, or funds between stages of the supply chain

Supply chain management is the management of flows between and among supply chain stages to maximize total supply chain profitability

2.4.5 Functions

Supply chain management is a cross-function approach to manage the movement of raw materials into an organization, certain aspects of the internal processing of materials into finished goods, and then the movement of finished goods out of the organization toward the end-consumer. As organizations strive to focus on core competencies and becoming more flexible, they have reduced their ownership of raw materials sources and distribution channels. These functions are increasingly being outsourced to other entities that can perform the activities better or more cost effectively. The effect is to increase the number of organizations involved in satisfying customer demand, while reducing management control of daily logistics operations. Less control and more supply chain partners led to the creation of supply chain management concepts. The purpose of supply chain management is to improve trust and collaboration among supply chain partners, thus improving inventory visibility and improving inventory velocity.

2.4.6 Activities

Several models have been proposed for understanding the activities required to manage material movements across organizational and functional boundaries. SCOR is a supply chain management model promoted by the

Supply Chain Council. Another model is the SCM Model proposed by the Global Supply Chain Forum (GSCF).

Supply chain activities can be grouped into strategic, tactical, and operational levels of activities.

Strategic

Strategic network optimization, including the number, location, and size of warehouses, distribution centers, and facilities

Strategic partnership with suppliers, distributors, and customers, creating communication channels for critical information and operational improvements such as cross docking, direct shipping, and third-party logistics

Product life cycle management, so that new and existing products can be optimally integrated into the supply chain and capacity management

Information Technology infrastructure, to support supply chain operations

Where-to-make and what-to-make-or-buy decisions

Aligning overall organizational strategy with supply strategy

Tactical

Sourcing contracts and other purchasing decisions.

Production decisions, including contracting, scheduling, and planning process definition.

Inventory decisions, including quantity, location, and quality of inventory.

Transportation strategy, including frequency, routes, and contracting.

Benchmarking of all operations against competitors and implementation of best practices throughout the enterprise.

Milestone payments

- Focus on customer demand.

Operational

Daily production and distribution planning, including all nodes in the supply chain.

Production scheduling for each manufacturing facility in the supply chain (minute by minute).

Demand planning and forecasting, coordinating the demand forecast of all customers and sharing the forecast with all suppliers.

Sourcing planning, including current inventory and forecast demand, in collaboration with all suppliers.

Inbound operations, including transportation from suppliers and receiving inventory.

Production operations, including the consumption of materials and flow of finished goods.

Outbound operations, including all fulfillment activities, warehousing and transportation to customers.

Order promising, accounting for all constraints in the supply chain, including all suppliers, manufacturing facilities, distribution centers, and other customers.

2.4.7 Determining Factors of Retail Supply Chain (RSC)

The structure of the supply chain is determined by the planning, designing and operation of four major factors such as -

Physical Network-

Logistic centers around the world are tactically situated, in order to ensure proximity with customers and low cost of goods. Most of the operations are located within the industrial park and equipped with modern techniques for material handling, supply and repair capabilities

Inventory Management -

The quantity of inventory and location play a significant role in RSC process. Retailers can implement the most responsive and cost efficient SC at optimal levels based on their potential and services

Transportation Management-

Transportation is an important factor in Retail industry. Selecting the best mode of transport and routes helps suppliers to deliver the product at the right place and right time.

Information Management-

Effective information system facilitates the flow of information from manufacturer to customer and from customer to manufacturer.

These factors determine the cost efficiency and responsiveness of the supply chain.

2.5 Exercises

1. What do you mean by inventory management. Discuss business inventory in detail.
2. Illustrate logistic chain and various types of logistics.
3. “A warehouse is a commercial building for storage of goods.”- justify this statement.
4. What is the modern trend in warehousing?—explain.
5. Discuss the scope, element and objectives of SCM.
6. There are different kind of supply chain activities, explain each of them in detail.
7. Point out the determining factors of retail supply chain (RSC) and discuss them in detail



Unit-3 Store Lay Out And Retail Space Management

Structure

- 3.1 Renovation And Alterations In Retail Sector**
 - 3.1.1 Indian Retail Industry - Changing Scenario**
 - 3.1.2 Renovation and Alteration- meaning**
 - 3.1.3 Changes in Architecture Due To Retail Dynamics:**
 - 3.2 Store Lay Out**
 - 3.3 Space Management**
 - 3.4 Exercises**
-

3.1 Renovation And Alterations In Retail Sector

3.1.1 Indian Retail Industry - Changing Scenario

The Retail Sector of Indian Economy is going through the phase of tremendous transformation. The retail sector of Indian economy is categorized into two segments such as organized retail sector and unorganized retail sector with the latter holding the larger share of the retail market. At present the organized retail sector is catching up very fast. The impact of the alterations in the format of the retail sector changed the lifestyle of the Indian consumers drastically. The evident increase in consumerist activity is colossal which has already chipped out a money making recess for the retail sector of Indian economy.

With the onset of a globalize economy in India, the Indian consumer's psyche has been changed. People have become aware of the value of money. Nowadays the Indian consumers are well versed with the concepts about quality of products and services. These demands are the visible impacts of the Retail Sector of Indian Economy.

Since the liberalization policy of 1990, the Indian economy, and its consumers are getting whiff of the latest national & international products, with the help of print and electronic media. The social changes with the rapid economic growth due to trained personnel, fast modernization, enhanced availability of retail space is the positive effects of liberalization.

3.1.2 Renovation and Alteration- meaning

Renovation is the process of improving a structure. Two prominent types

of renovations are commercial and residential. Now, Retail renovations become a modern trend to attract more sophisticated customers.

Retail Alterations refers all aspects of alterations, including the proper fitting, marking, and altering of products. It is a kind of customer service promise by ensuring quick and efficient register transactions and friendly and professional interactions with all guests.

3.1.3 Changes in Architecture Due To Retail Dynamics:

Since the year 1999, the year of the inception of the Indian retail revolution, architecture as well as the retail industry has seen an exponential growth in terms of the nature of designs conceptualized and executed as well as the number of retail projects. Indian consumers today are more global with their thinking; they have experienced the changing retail scenario and can relate to the design elements. They are a lot more demanding towards the kind of concepts that exist and are constantly driving the retailers and architects to innovate.

Architectural concepts have evolved with the changing retail sector. Old fashioned "shopping arcades" are giving way to structurally more efficient and comfortable retail complexes.

- a. Instead of traditional air-cooled arcades, we now have air-conditioned complexes.
- b. The traditional single point exit & entry has been converted to a multi point system to ease pedestrian movement, internal circulation and security.
- c. Traditional staircases have been converted to escalators & capsule elevators.

Following are some of the needs of a developing retail environment that are impacting the change in architectural designs:

1. Optimum Utilization of Space In a Congested Urban Setting: The architectural designs need to result in comfort and ease of shopping, ensuring an effective circulation pattern of internal spaces. For example, Expo City (located in Hyderabad, Andhra Pradesh, India) is one of the examples of classic orientation and utilization of space vis-à-vis it's location.
2. Various Sizes and Locations of Shops for Different Stores and Concepts: The structure should provide various alternatives for retailers based on their individual needs and positioning; such as shop in shop concepts/

- multi brand outlets/ stand-alone stores etc.
3. Amenities and Structure: The building should have open spaces, large atriums and have a contemporary look and feel in line with the global best practices. Amenities such as a controlled environment with 100% power back-up, central air-conditioning, round the clock security, escalators, elevators, surface & basement parking being a few of the expected features in new developments. e. g. Treasure Island, (located in Indore, Madhya Pradesh).
 4. Construction Materials: There has been tremendous innovation and experimentation in the kind of materials that have been used in construction of retail projects - interior & exterior facades, floorings, false ceiling, finishing's etc. There has been a complete change in this context, owing to innovative building technologies and material compositions.
 5. Contextual Design: The design of the retail store needs to be contextual with the location. A "neighbourhood mall" concept, for example, will need to take into account a façade cohesive with the neighbourhood, and will have to ensure adequate parking facility to prevent congestion in the residential area. An example of such a concept would be The Pristine Mall & Multiplex (located in Sector-31, Faridabad, Haryana).
- Changes In Architecture Due To Retail Dynamics:

3.2 Store Lay Out

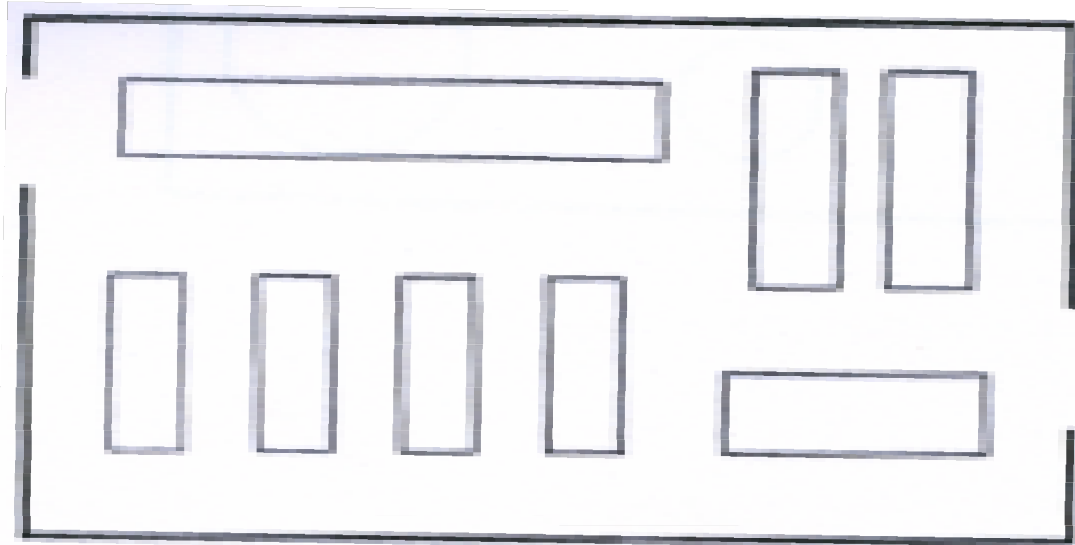
A well-planned retail store layout allows a retailer to maximize the sales for each square foot of the allocated selling space within the store.

Store layouts generally show the size and location of each department, any permanent structures, fixture locations and customer traffic patterns.

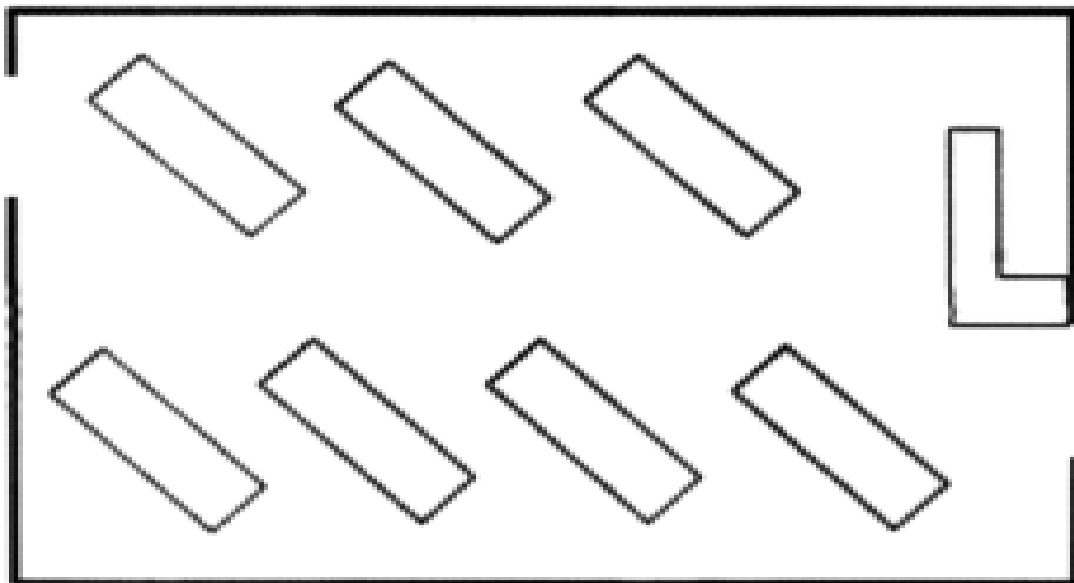
Each floor plan and store layout will depend on the type of products sold, the building location and how much the business can afford to put into the overall store design.

Below are a few basic store layouts.

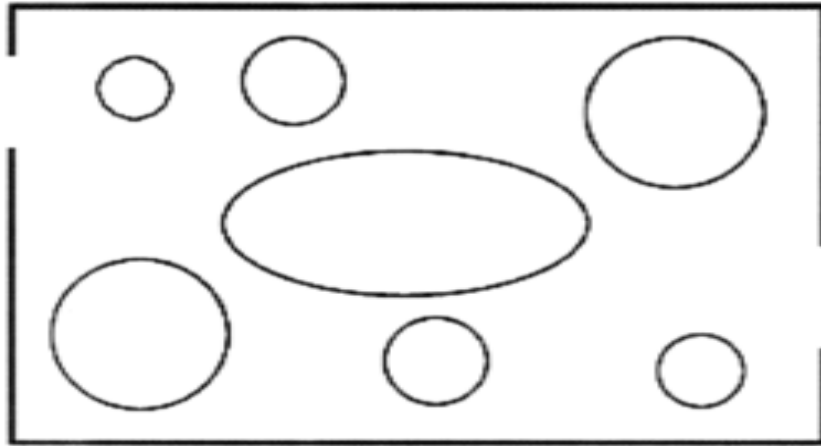
The straight floor plan is an excellent store layout for most any type of retail store. It makes use of the walls and fixtures to create small spaces within the retail store. The straight floor plan is one of the most economical store designs.



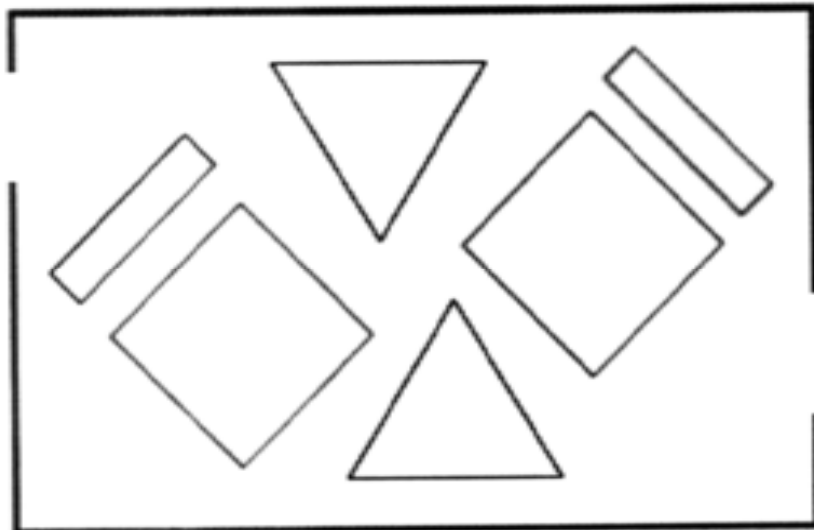
The diagonal floor plan is a good store layout for self-service types of retail stores. It offers excellent visibility for cashiers and customers. The diagonal floor plan invites movement and traffic flow to the retail store.



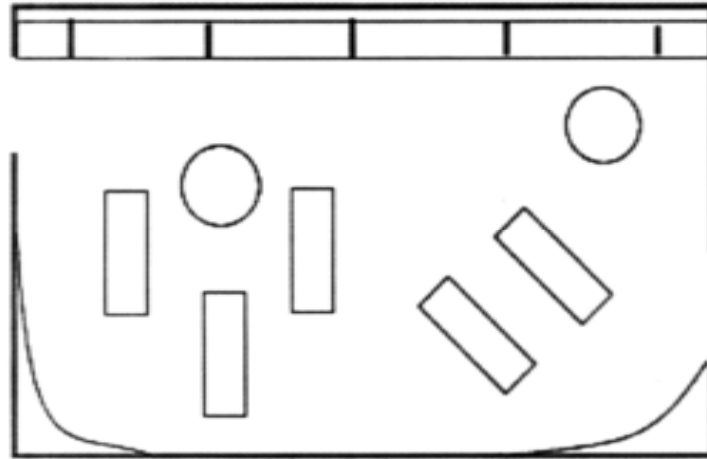
The angular floor plan is best used for high-end specialty stores. The curves and angles of fixtures and walls makes for a more expensive store design. However, the soft angles create better traffic flow throughout the retail store.



The geometric floor plan is a suitable store design for clothing and apparel shops. It uses racks and fixtures to create an interesting and out-of-the-ordinary type of store design without a high cost.



The mixed floor plan incorporates the straight, diagonal and angular floor plans to create the most functional store design. The layout moves traffic towards the walls and back of the store.



3.2 Space Management

Retail space management is one of the more crucial challenges faced by retailers today with an ever-expanding volume of data to which they must refer when making decisions. Problems have emerged that are intractable using traditional means but for which interactive information visualization shows much promise. These problems or tasks are exploratory in nature and use temporal multivariate data. Department stores must maximize and optimize return on allocated retail space. Although product sales are readily available, the missing link for most retailers is a precise understanding of each store's layout in relation to its capacity and performance.

Factors related to effective Store Space Management

- The nature of offerings, suppliers, and departments within the store
- The quantity of merchandise the store wants to carry and display
- The location and proportion of space allotted to different types of merchandise

Walls as Retail Selling Tools

- Captures shoppers' attention
- Communicates fashion information
- Encourages multiple purchase
- Acts as a way-finding (navigation) tool
- Forms a retail background
- Supports store image (by strategic use of variety of interesting wall surfaces, paints, colours, and wallpapers)

Aspects of Merchandise Wall Plan

- There should not be much bare place
- Similar products need to be put together
- Displays are intended to fill void spaces
- For display put those products which move quickly
- Keep similar colours and design together
- Shelves should be cleaned regularly

Managing Shelf Space

Retailers use the following layout dimensions when modelling shelf space:

- Shelf compartment (vertical placement within a rack, e.g., top shelf, bottom shelf)
- Horizontal placement within the shelf
- Facing (the amount of space taken up by a single article along the front of the shelf), and also includes front. So 3 boxes sitting on a shelf stocked 2 high is considered to be 6 facings.

A shelf is made up of layout modules, which contain an array of articles that can be displayed in the same area (for example, laundry detergents). Thus, a layout module may contain more articles than are currently on the shelf at the moment.

Use of Space Management

In retail stores, space management can play a critical role:

- It helps avoid stockouts and thereby lost sales.
- It helps boost sales revenues. For example, grocery articles displayed on end caps and promotional merchandise near a department store mall entrance are more likely to capture the attention of shoppers than articles buried away in a side aisle or in the back of the store. You want to monitor prices, sales volumes, and margins so as to place your most profitable articles in high-traffic, high visibility areas.

3.4 Exercises

1. How the scenario of Indian retail industry is changing day by day?

2. Point out the changes in architecture due to retail dynamics and explain with proper examples.
3. What is meant by the term renovation and alterations? How they are related to retail sector.
4. What do you mean by store layouts? Discuss some basic store layouts with proper diagrams.
5. How to manage space in retail sector?-explain.



Unit-4 Labels, Retail Image And Retail Audit

Structure

4.1 Labels

4.1.1 Concept

4.1.2 Store Brands in Retailing

4.1.3 National and Private Label Brands

4.1.4 Present scenario

4.2 Establishing a Sustainable Retail Image

4.2.1 Retail Store Image

4.2.2 Grand Opening vs. Image

4.3 Retail Audit with Case Studies

4.3.1 What is Retail Audit?

4.3.2 How to do Retail Audit?

4.3.2 How to perform a Retail Audit?

4.3.3 How to analyze your performance of Retail Audit?

4.3.4 Case Study

4.4 Exercises

4.1 Labels

4.1.1 Concept

For customers that need to make point-of-purchase decisions, that is why product's packaging makes a significant impact on their purchase. So, one should communicate information about the product through brand awareness to the prospective customers using the packaging the product comes in. Create thoughtful, informative and persuasive packaging that serves to further the marketing efforts and generate sales for the company.

Therefore labeling refers to the printed information appearing on or with the package.

Functions of labeling are to identify, describe and promote the products or brands.

4.1.2 Store Brands in Retailing

With liberalization of the economy, the retail scenario has changed to a great extent; many sectors have opened up to private players. In hitherto

government controlled industries, too, we have seen a spate of private activity. The increased marketing efforts of private players coupled with the changed stance of the incumbent public or government players, have given rise to an unprecedented scramble for customers. There was a time when only the national players were allowed to operate in the market and, at that time, the brands had a great edge over the retailers but, now the retailers are coming up with their own brands which are known as store brands. Now, with the coming of store brands, the national players are facing a strong competition from them. In the case of store brands, the profit margin is also very high; so, from the retailers' point of view, store brands are generating higher revenues. But, at the same time, we cannot ignore the presence of the national brands as it is the national players, who are known to the consumers in a broader concept.

4.1.3 National and Private Label Brands

Brand name used by a manufacturer whenever that product is sold. For example, Del Monte is a national brand for food products.

In contrast, many marketers offer products under a variety of brand names called private labels, unique to each distributor or retailer.

National brand marketing requires greater advertising expenditure on the part of the manufacturer to compete with lower-priced private label brands. If consumer preference for the national brand is strong, then pricing can be high enough to support the additional advertising and provide the desired profit margin. National brands are often perceived to be of higher quality and can therefore demand a premium price. Many national brands are now experiencing a loss of market share to private label brands as a result of the narrowing quality gap.

Advantages of National Brands

1. Product recognition - almost everyone recognizes the names of the leading nationally branded coffees. Millions of Rupees are spent on advertising these products, making them easier to sell.
2. People can choose between various familiar labels.
3. A buyer interviewing a private label salesman and a national brand salesman is likely to have more confidence in the latter, all other aspects of their presentations being equal.
4. The nationally branded coffees generally represent consistent quality

control. Their slogan might be "It's all right to sell as long as you keep it consistent."

5. The nationally branded companies help promote sales with and for you, albeit sales for their own brand.
6. Nationally branded coffees are generally available in constant supply from local wholesalers with short lead times on ordering

Advantages of Private Label

1. You have control over your pivotal product, and that means over your business.
2. It is the only way to be able to market high quality coffee, if you so choose.
3. You save substantially in product cost. You can spend these savings on anything you please, including higher product quality.
4. You have no competition for the brand of coffee that you carry. No one can trade on your name legally. This is a strong motivational plus for your salespeople.
5. With your exclusive brand you can, if you wish, enter the entire Out-of-Home market supply for coffee, selling to restaurants, the hospital and health care field, hotels, catering trucks, stadiums, indeed every other nook and cranny of the market. The potential volume in the Out-of-Home market is many times more than in coffee service itself.
6. You can sell the mystique as well as the real quality of your coffee, enabling you to achieve a higher average selling price (though many operators make the mistake of selling their private label for a lower price than the national brands).

4.1.4 Present scenario

Top-branded retail companies are betting big on private labels this year to overcome rising pressure on margins. Private labels are brands owned, merchandised and sold by retailers themselves, at least 5-20% cheaper rates, across various categories. Margins on private labels are as much as 30% to 40%.

Kolkata-based Spencer's Retail Ltd, a retail arm of the Rs 13,500-crore RPG Enterprises, has started witnessing 25% contribution from its 10 private labels which the company launched a year ago. Spencer's Retail had launched private-label brands such as Island Monks, Mark Nicolas, Scorez, Detailz,

Asankhya, Puddles, Little Devils and UNI. According to company officials, "Spencer's intends to spur the high-margin apparel retailing business growth. This will be done by enhancing visual merchandising of most of the Spencer's stores in India. We do intend to launch new private labels in apparels, footwear and accessories in near future," the official added.

Meanwhile, Future Brands, the brand development and marketing arm of Kishore Biyani's Future Group, is in the process of rolling out two new private-label brands. It includes Spunk, in sportswear, and Mohena, in lingerie, segment.

4.2 Establishing A Sustainable Retail Image

During implementation of a major repositioning strategy, the marketers noticed some changes in management's and consumers' perceptions of retail image. It was found that while consumers' and management's images significantly changed during the repositioning strategy, the magnitude of management's image change was significantly greater than consumers'. Management perceived greater changes than did consumers in parking, store classification, merchandise quality, style and assortment, return policy, and store layout and decor. Conversely, consumers experience a greater image change on pricing and credit policy. The major implication for retailers is that problems can arise if management and consumers do not experience commensurate image shifts during repositioning. Fine tuning in advertising, personal selling, product strategy, and the physical environment (e.g., decor, parking) may be necessary to compensate for differential image shifts following a major repositioning strategy.

4.2.1 Retail Store Image

The marketers use to spend a great deal of time and money planning new business, probably at least half of it in selecting a location where they believe the future customers see store and it's fantastic signage and hopefully shop; another half in identifying quality merchandise to stock the store, and by this process they are saving the other half to get the store noticed. Now that all this is under way, it's time to plan the actual start

4.2.2 Grand Opening vs. Image

The traditional approach is to have a 'Grand Opening' where the retailers used to cut the profits to zero in order to send a message to people that they are less expensive, faster, better, and more compassionate than the competition. Another traditional move is to use radio, TV, and newspaper ads to get the public to notice that they are an addition to the community and they should come by and see for themselves. These expensive ideas will certainly get the store noticed; but there's another task yet undone - 'Image Campaign'.

An Image Campaign is a process designed to send a high-intensity message directly to the group of people the most retailers wish to have as customers. Selecting store fixtures, signage, and store ambiance are probably of equal importance with your advertising program. Very few retail businesses can survive on one-shot customers, most depend on repeat business for success, so the task is not so much getting them to visit you once, it's getting them to come back!

An Image Campaign is the best way of accomplishing this task. Here are some steps the retailer might use in setting their store image.

You can use these ideas whether your store has been in existence for years or is just starting business next week.

Define your image -Begin by actually sitting down with knowledgeable people and selecting an image for your store. As in so many other tasks, a Focus Group is one of the best methods of accomplishing this. The task is to identify and answer questions such as, "What image do I want to convey to my customers when they walk into my store?" "Why will they think my store is different?" "What feelings do I want to invoke when present and future customers hear my store name?" "What's unique about my store, my service, my product, my method of presenting the product? "How will customers judge staff, attitude, and attention?"

Build a plan - Using answers to the above questions (still using the Focus Group approach), select the store fixtures, carpets, wall decor, displays, signs, and other items that will enhance or reinforce the image you wish to project. Make decisions on how to train your new staff so they also project these desired images. Plan all of your advertising around your image, and make sure all of your ad copy reflects this image. Use target-marketing techniques to get your message to the customer group who will shop at your store, and then make sure the message they get while shopping reinforces your image.

Reinforce your plan - Never assume you know what your customers are

thinking. You will be wrong most of the time! Let your customers know what it is you are trying to do by enlisting them in the task of establishing an image. Use micro-surveys and similar programs. If your customer is confused about your image, they will not take the time to understand it, they'll just shop elsewhere. Hand out pre-stamped reply postcards with every purchase telling your customer what it is you are trying to do, and then asking them how you're doing and how you can improve. This does two things, it helps you in establishing and maintaining an image, and it gives you a name for direct mail advertising purposes.

4.3 Retail Audit With Case Studies

4.3.1 What is Retail Audit?

It is a tool that opens up new option for strategic move in the market. It helps every marketer to find an optimum brand/product portfolio for target segment with finest communication vehicle and the flexible interiors for high product accessibility.

Retail-audit service providers gather information on a brand's sales volume, sales trends, stock levels, effectiveness of in-store display and promotion efforts, and other associated aspects.

4.3.2 How to do Retail Audit?

What our consumers are looking for?

What we have which can be offered?

How efficiently and easily we can offer them?

4.3.2 How to perform a Retail Audit?

To perform a retail audit the marketer should keep the following views in mind.

1. Psychographics of consumers- To draft retail value chain
2. Brand portfolio -To fill retail value chain draft with brands and products
3. Retail format- To fill the retail value chain draft with resources.
4. Service blue prints- Connect the resources and brands/products in a retail
5. value chain.

Psychographic of consumers: The value chain blue prints of retail must be designed with consumer psychographic in mind. The following questions must be answered while designing the value chain blue prints.
What is life style of your consumers?

How much time they plan for shopping?

What is the key driver for shopping (passing time, money)?

What vehicle they use usually to travel?

What is their disposable income?

Are they brand, price or value conscious or a subset of it (BPV Analysis)?

The POC (Psychographic of consumers) helps to draft the value chain blue print for a retail business. Moving further will serve the purpose to check what brand /product mix we have to fill the draft of value chain.

Brand Portfolio: It defines the brand /product span that we have to click the consumers. Every retail product line must have a combination of products for serving the two basic strategic purposes.

Penetration builders

Profit builders

Service Blue Prints: It connects the brand or product with the resources for accessibility to consumers. Service is not only inside the show room but also outside (parking facilitating and others).

4.3.3 How to analyze your performance of retail audit?

The end result of RETAIL AUDIT must be to increase the profit /square feet. Behind this figure enhancement, you can guess the mechanism of each unit and factor under a system.

4.3.4 Case Study

Watsons - Operations Audit

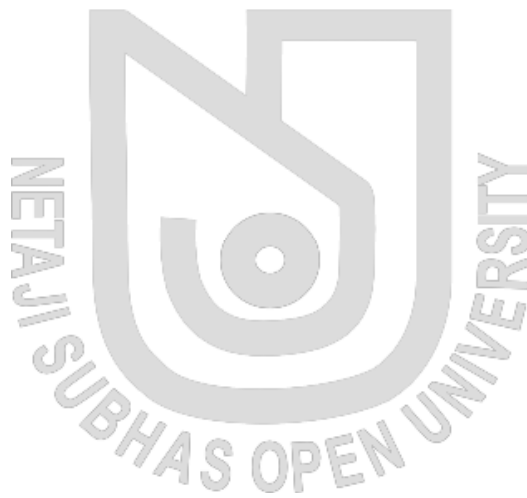
A part of A.S. Watsons Group, Watsons Your Personal Store is Asia's leading health and beauty chain. It operates around 700 stores spread across 10 countries. Products retailed range from medicine, cosmetics and toiletries to fashion items, confectioneries, cards and toys.

The client wanted to consolidate its learning from its operations in different countries and introduce standard operating procedures that reflected best practices assimilated from the various operations.

Integrated Retail mapped Watsons' current practices and processes and recommending the best practices. The study was carried out at different store locations across 7 countries. Integrated Retail presented a 'Best Practices Process Manual' consisting of work flow, training, monitoring, audit and KPIs. This was signed off by the regional directors.

4.4 Exercises

1. What do you mean by the store brands in retailing?-illustrate.
2. Differentiate national and private label brands.
3. How to establish a sustainable retail image? -explain in detail.
4. What is meant by retail audit? Discuss retail audit with the help of a particular case.
5. How to perform a retail audit?



Unit 5 Customer Service-Standard, Evaluation And Flow of Traffic

Structure

5.1 Customer Service Standard

5.1.1 Customer-An overview

5.1.2 Customer Service

5.1.3 What are Service Standards?

5.2 Customer Service Evaluation

5.2.1 What is service evaluation?

5.2.2 Customer Service Quality Measurement Techniques:

5.3 Flow of Traffic

5.4 Exercises

5.1 Customer Service Standard

5.1.1 Customer- An overview

A customer, also client, buyer or purchaser is the buyer or user of the paid products of an individual or organization, mostly called the supplier or seller. This is typically through purchasing or renting goods or services.

The word derives from "custom," meaning "habit"; a customer was someone who frequented a particular shop, who made it a habit to purchase goods of the sort the shop sold there rather than elsewhere, and with whom the shopkeeper had to maintain a relationship to keep his or her "custom," meaning expected purchases in the future.

5.1.2 Customer service

Customer service is a series of activities designed to enhance the level of customer satisfaction - that is, the feeling that a product or service has met the customer expectation.

Its importance varies by product, industry and customer. As an example, an expert customer might require less pre-purchase service (i.e., advice) than a novice. In many cases, customer service is more important if the purchase relates to a "service" as opposed to a "product".

5.1.3 What are service standards?

Service standards -- a shortened form of the phrase "standards of service"

-- are more than service delivery targets such as waiting times and hours of operation. Canadians are entitled to know what they should expect from the government, how services will be delivered and what they cost, and what clients can do when services they receive are not acceptable.

Service standards include five essential elements:

1. Descriptions of the service you intend to provide and, where applicable, the benefits clients are entitled to receive;
2. Service pledges or principles describing the quality of service delivery clients should expect to receive, focusing on such elements as openness, fairness, courtesy, professionalism, choice of official language where applicable, etc.;
3. Specific delivery targets for key aspects of service, such as timeliness, access and accuracy;
4. The costs of delivering the service; and
5. Complaint and redress mechanisms that clients can use when they feel standards have not been met.

Principles in developing service standards

Federal government service standards should be

Meaningful to individuals- Service standards should be responsive. In other words, they should be meaningful to the individuals using the service, relate to aspects of the service clients find important and expressed in terms to which clients can relate. Typically, standards should cover elements of service that are visible and measurable;

Based on consultation-You should develop service standards in consultation with your clients;

Attainable and challenging- Service standards should be realistic, based on analysis, consistent with program objectives and achievable, while at the same time they should provide a challenge to service deliverers;

Affordable-service standards should include user charges, if applicable, and should be attainable within available resources;

Owned by managers and employees- Service standards should be an essential management tool in service delivery. You are responsible for

setting and using service standards to continually improve the cost effectiveness of service delivery;

Published- You should publish service standards and make them known to clients;

Used to measure performance- You should monitor performance achievements against the standards, as well as client satisfaction with the service provided, and give clients that information. The performance measures you use should be comparable over time, across regions or with like services; and

Reviewed and updated-You should review service standards regularly and adjust them to reflect new circumstances.

These principles are intended to provide useful guidance in the development of service standards in departments and agencies.

5.2 Customer Service Evaluation

5.2.1 What is service evaluation?

Service Evaluation is a way of finding out which services are most and least valued by your customers, and the satisfaction level for each of them. The information will give you vital information to allocate your resources and improve the service offering to match your customers' needs and expectations.

5.2.2 Customer Service quality measurement techniques:

SERVQUAL was originally measured on 10 aspects of service quality: reliability, responsiveness, competence, access, courtesy, communication, credibility, security, understanding or knowing the customer and tangibles. It measures the gap between customer expectations and experience.

By the early nineties the authors had refined the model to the useful acronym RATER:

Reliability

Assurance

Tangibles

Empathy, and
Responsiveness

SERVQUAL has its detractors and is considered overly complex, subjective and statistically unreliable. The simplified RATER model however is a simple and useful model for qualitatively exploring and assessing customers' service experiences and has been used widely by service delivery organizations. It is an efficient model in helping an organization shape up their efforts in bridging the gap between perceived and expected service.

5.3 Flow of Traffic

How to maximize the benefits of traffic flow?

Even with the constraints of his store's physical structure and chain-determined layouts, the manager of a chain drug store isn't without the capacity to influence traffic flow patterns through careful attention to details.

Traffic flow directly affects sales. How customers enter the store and where they travel while in the store are major factors in what and how much they purchase. This article provides some ideas for improving traffic flow that do not require changes to structural features or fixture positions.

To meet customer needs and in preparation for the material that follows, the manager should ask himself the following questions:

- * Who are my customers (age, gender, race, culture, etc.)?
- * Is there a dominant group toward whom my marketing effort should be directed (including the traffic flow)?
- * What can be done to enhance the traffic flow for this group?
- * What can be done to improve traffic flow for all customers?
- * Are the two in conflict?

Traffic flow considerations begin outside the store. In the short run, the manager won't be able to change the entry location or windows, but he can ensure optimum access to the store in three ways.

First, keep the entry clear. This means moving the newspaper and other vending machines away from the store entry. These devices compete for space on the sidewalk and can significantly hinder access to the store. They also accumulate dirt.

Second, keep the entry clean. A customer's image of the store begins outside. A cluttered, dirty storefront discourages potential new customers from entering and does nothing to encourage repeat business.

Therefore, hold the number of signs posted on the store to a minimum, have the sidewalk swept daily to prevent the accumulation of trash, and insure the entry is well lit.

Finally, discourage loitering. Individuals or groups loitering in or in front of the store represent a barrier to entry for many people who find their presence threatening or unpleasant.

In many shopping center locations there is a related problem presented by adolescent males on skateboards. The manager should demand that the shopping center management take a firm position against this and all issues affecting customer access and comfort to merchants located in the center.

Inside the store there are other managerial actions that can influence traffic flow. Each of the following suggestions will enhance traffic flow without alterations to physical plant or fixtures of the store.

Because today's shopper rarely uses a list, it is essential to have merchandise properly displayed. Briefly, to promote traffic flow, one will want to ensure that shelves contain an adequate supply of merchandise. Shelf stocking becomes an important activity.

Without changing the location of existing merchandise departments, it is possible to feature goods of interest to the store's most important shoppers. These displays should receive prime exposure by placing them at highly visible locations and in areas frequented by the shoppers one wishes to reach. In this way one can customize the department without altering the basic layout.

Keeping the store neat is a major problem today, because there is a desire to increase the amount of merchandise on display, selling space is expanding at the expense of storage space, and shelf stocking is done intermittently as time permits. Thus, many customers are confronted with aisles resembling an obstacle course, filled with open cases of merchandise and empty boxes.

Traffic flow could be vastly improved by keeping aisles clear. This may require extra work to minimize the number of boxes in the aisle by making more trips to remove empty boxes. However, chaos in the aisles of stores is becoming a major barrier to sales, to say nothing of the dangers presented to customers. Many customers will find the clutter unpleasant and confusing.

This maximizes exposure of the customer to merchandise and increases the probability of exposure to goods deemed important by management. However, this carefully derived self-directed shopping plan can go wrong if the customer becomes frustrated in an attempt to locate a particular item or

obtain information about it (such as price and assortment).

Customer frustration can be virtually eliminated if personnel are knowledgeable about the store and trained to watch for the signs of customers in need of help.

The signs of confusion (extended time spent in one area and looking around for someone is two examples) are easy to spot and any clerk can be trained to recognize them and respond accordingly. Shoppers don't want to be watched or followed by clerks, but, like all busy people, when they have questions they want immediate attention.

5.4 Exercises

1. What do you mean by a customer? What is customer service?
2. What are service standards?-explain in detail.
3. Discuss various principles in developing service-standards.
4. How to evaluate customer service?-explain in detail.
5. How to maximize the benefits of traffic flow?-illustrate.



Unit 6 Operational Planning

Structure

- 6.1 What Is Meant by Operational Planning?
- 6.2 Store and Shop Operations
- 6.3 Retail Security and Safety Measures
 - 6.3.1 Risk Assessment and People Security
 - 6.3.2 How to Spot Suspicious Behaviour.
 - 6.3.3 Measures to Discourage Shoplifting.
 - 6.3.4 Dealing with Violent Incidents.
 - 6.3.5 Responding to Verbal Threats.
 - 6.3.6 What to do if someone becomes Abusive or Threatening?
 - 6.3.7 How to respond to Armed Robbery?
 - 6.3.8 Premise Security
 - 6.3.9 Data Protection and Privacy Legislation.
- 6.4 Cash Management And Credit Card Process
- 6.5 The Impact of Computerization on Retail Sales
- 6.6 Outsourcing and Crisis Management
 - 6.6.1 Outsourcing for the Retail Industry
 - 6.6.2 Crisis Management
 - 6.6.2.1 What is Crisis Management?
 - 6.6.2.2 Types of Crisis
 - 6.6.2.3 Role of Apologies in Crisis Management
 - 6.6.2.4 Crisis in Indian Retail Industry
 - 6.6.2.5 Best Alternative to Manage Crisis in Retail Industry
- 6.7 Energy Management
 - 6.7.1 Present situation
 - 6.7.2 Green retail - A study based on UK Retailer scenario
- 6.8 Exercises

6.1 What is Meant by Operational Planning?

An operational planning (OP) is a subset of strategic work plan. It describes short-term ways of achieving milestones and explains how, or what portion of, a strategic plan will be put into operation during a given operational period, in the case of commercial application, a fiscal year or another given budgetary term. An operational plan is the basis for, and justification of an annual operating budget request. Therefore, a five-year

strategic plan would need five operational plans funded by five operating budgets.

Operational plans should establish the activities and budgets for each part of the organization for the next 1 - 3 years. They link the strategic plan with the activities the organization will deliver and the resources required to deliver them.

An operational plan draws directly from agency and program strategic plans to describe agency and program missions and goals, program objectives, and program activities. Like a strategic plan, an operational plan addresses four questions:

Where are we now?

Where do we want to be?

How do we get there?

How do we measure our progress?

The OP is both the first and the last step in preparing an operating budget request. As the first step, the OP provides a plan for resource allocation; as the last step, the OP may be modified to reflect policy decisions or financial changes made during the budget development process.

Operational plans should be prepared by the people who will be involved in implementation. There is often a need for significant cross-departmental dialogue as plans created by one part of the organization inevitably have implications for other parts.

Operational plans should contain:

clear objectives

activities to be delivered

quality standards

desired outcomes

staffing and resource requirements

implementation timetables

a process for monitoring progress.

6.2 Store And Shop Operations

The retail store is the place where customers take a decision on the purchase of the products offered by the retailer. The store also influences the perception that customers form in their minds about the store, the products, services and staff. From the management point of view, operations of the store are a major element of the cost. As a consequence, the store itself becomes

a critical asset of the retail business and it is imperative that the operations are managed well to achieve and sustain customer satisfaction and be cost effective.

Managing store operations for a retail business of any size or complexity, from the neighborhood grocer to the national retail chain, is a challenging task. It requires integration among various functions within the store. When all functions are performed in an integrated manner, the store operations run smoothly.

The retail store is of prime importance to the retail organization, for two reasons. The first reason is that the retail store is primary source of revenue for the retailer and the second reason is that it is the point where the customers actually interact with the retail store and its offerings.

Elements of store operations

In order to ensure a smooth flow of operations at the store level, it is necessary that the management defines processes having the people and other resources to implement them.

The tasks to be performed and the processes are usually defined in a store operations manual. This document lists the tasks which need to be carried out at the store level. It states the responsibility and the time period in which these tasks which need to be performed. A well prepared operation manual or blue print is the starting point of efficient store operations.

Typically in a retail store, the following tasks need to be performed:

1. Store administration and management of the premises
2. Managing inventory and display
3. Managing receipts
4. Customer service
5. Managing promotions, events, alliances and partnerships

Key responsibilities of an Assistant General Manager- Operation in a retail organization

Provide leadership and team building to store management and associates in driving sales, service, and profitability

Proactively generate ideas to develop business opportunities and

maximize sales to achieve or exceed all financial goals (sales, earnings, shortage etc.) established for the store

Provide the store team with the tools and coaching required to meet the brand filter service standards

Focus on sales and profitability, establish and maintain customer focus standards, set work pace and deliver on store goals

Provide oversight in the training, coaching and motivation of all associates to achieve company goals, evaluate performance and provide feedback

Monitor and control payroll, expense and inventory

Oversee shipping/receiving and stockroom operations to achieve responsive merchandise movement

Manage the support functions like merchandise processing and housekeeping

Create and maintain a high performance team and environment

All other store initiatives as directed

6.3 Retail Security And Safety Measures

6.3.1 Risk Assessment and People Security

It is important to first assess the safety and security of staff and customers in the workplace. A form is available from the workshop.

It is important an employee feels safe at their place of work. Their security covers personal property, vehicles and equipment as well as the companies' property (e.g. cash, stores or products).

Thieves cannot be easily identified by appearance but there are generally two types of thieves, professionals and amateurs. Professionals will strike daily to make a living at times when staff numbers are low (e.g. during a shift change or at the end of a day). Amateurs steal at random when the opportunity arises mainly when the store is busiest in order to avoid being notice by staff.

6.3.2 How to spot suspicious behaviour.

Keep alert for suspicious or abnormal behaviour such as:

Constantly looking around watching staff

Appearing nervous

Taking little notice of products
Wearing clothing inappropriate for the time of year that may be used to hide goods
Carrying a large bag
Carrying a coat over their arm or shoulder
Repeatedly refuses your offers of help
Wheeling around a baby buggy when a shop baby trolley is available
Appearing to have concealed an item
Spending a long time browsing

6.3.3 Measures to discourage shoplifting...

Good customer services - Always acknowledge the customer and regularly ask if they need help. Do this if you are suspicious of a customer;

Secure stock - Make sure the shop is tidy, well lit and laid out so all areas are visible from the CCTV cameras. High valued items can be held behind the counter;

Warehouse and store rooms - Always escort deliveries and follow the security rules in this area. An authorised touch pad lock should restrict these rooms.

At the checkout - Take out high value notes regularly and store in a safe. Be observant of baby buggies and the bottoms of trolleys. Check items that appear cheaper than you think they should be. Never turn away from an open till draw. Look out for fake notes. Check card and cheque signatures carefully. Tills should be protected from the customer by screens. Do not count cash in front of customers.

Banking security controls - Anchor safes to the floor. Use a professional service to collect cash from your shop and where this service is not available bank at different times of the day and never alone or in a work uniform. Don't carry cash in bags that are obviously bank bags.

Key control - Don't leave keys in doors, on counters or in drawers. Sign a register for any keys. Keep spare keys in a secure cabinet. Safe and security room keys should not be left on the site over night.

Other - If you are suspicious of a customer make them feel nervous by walking passed them, talking on the phone and letting them see you do it. Also let them see you walking near the shop exit and talking to other staff. Thieves may try to rush you to avoid noticing forged notes etc, so always take your time.

Staff theft also takes place, whether items are taken without paying or cash is taken for an item and not rung through. Staff should tell the manager if they suspect another staff member otherwise it would look bad for all honest personnel, when there is a bad stock take.

Refusing a customer service of alcohol or goods for being under age can often cause verbal abuse or violence, if not done politely and quietly, in order to minimise the embarrassment to the customer. To avoid this, company can have a policy clearly stated to customers (e.g. poster) that if a customer looks under 21 year-old staff must ask for proof of identity. To avoid any theft of goods, which have an age requirement, the goods should be placed out of reach of the customers. Intoxicated and disturbed customers also create more risk to staff.

6.3.4 Dealing with violent incidents.

There are 4 important parts:

- Recognize early signs of anger
- Managing and avoiding confrontation
- Responding and diffusing situations
- Recording the details of incidents

NEVER RETALIATE!!!

6.3.5 Responding to verbal threats...

Things to look out for are:

Verbal threats - Acknowledge the threat calmly (e.g. "I hear what your saying but threatening me isn't going to solve it")

Ritualistic repetition - is a sign that the person is winding themselves up (e.g. I've told you what I want and I'm not telling you again, I'm not telling you again...). Try to break this pattern.

De-personalising language - foul, racist and sexist abuse should be handled by making it clear bad language won't be tolerated (e.g. "I'm not going to do anything while your swearing at me!").

Defusing anger is hard if you can't get a word in, so listen to what the person is saying acknowledging by nodding and say "I appreciate how you must feel" etc. However, never make promises you can't keep and explore other options.

6.3.6 What to do if someone becomes abusive or threatening?

- Try to separate yourself from the offender (e.g. get behind a counter)
- Remain calm
- Use methods to diffuse the situation
- Put personal safety first
- Know how to raise the alarm and operate security equipment
- Do not resist or follow violent offenders
- Remember information such as a description of the offender
- Write what happened in the incident book.

6.3.7 How to respond to armed robbery?

- Make no sudden movements to dash for the alarm
- Put personal safety first
- Try to remain calm, even though the robber is shouting and trying to frighten you
- Give them what they want, don't stare or maintain eye contact
- Be observant of their appearance, to tell the police.
- Any major incident has to be dealt with properly to protect staff and customers, including incidents such as fire, floods, and evacuation. This means it is important to know company procedures for all types of emergencies. After a security incident all the staff and manager should review the incident and make any changes to the procedure they see fit. Staff should also seek counseling if necessary.

6.3.8 Premise security

- Outside walls and doors must be maintained
- Walls and bushes must not create places for thieves to hide
- Ladders and other climbing aids should be locked away
- Be aware of visitors in restricted areas and unescorted.
- On closure you should:
 - Check all internal toilets
 - Lock all external doors and windows
 - Empty the till and leave it open
 - Remove expensive items from view and lock them away if possible
 - Keys should be locked away
 - Set the alarm
- Leave the building accompanied by a colleague.

6.3.9 Data protection and privacy legislation.

There are restrictions on video surveillance and the care of recordings under the Data Protection Act 1998. These are:

The use of cameras must be made clear to all staff and customers

All cameras and microphones must be clearly visible to staff and customers

Video and audio information must not be disclosed to third parties

The police may request this information if there is a legitimate reason in following up suspected theft.

6.4 Cash Management And Credit Card Process

Most businesses which accept credit cards can obtain a business cash advance by using their future credit card processing activity. This strategy is also referred to as credit card financing and credit card receivables factoring. However, there is a number of critical business financing problems to avoid when using this strategy, and a merchant cash advance is not the only source to consider for additional working capital.

Business cash advance and credit card processing management is frequently one of the most overlooked sources of working capital for a business. This summary report will serve as a practical and concise overview of how to secure a merchant cash advance.

Not to be overlooked are the meaningful working capital management benefits accruing by coordination of credit card processing and merchant cash advance programs. Key results from successfully coordinating these business financing services will include reduced costs and improved cash flow. Perhaps most importantly, a business cash advance based on credit card processing is one of the few viable options for reliably obtaining short-term commercial financing for many service and retail businesses.

Before we begin, there are two key points to keep in mind. First, business cash advance programs can be a source of confusion and problems, and proper anticipation of these potential difficulties is essential for a business owner considering this working capital strategy. Second, business cash advance programs are often referred to by other names such as credit card financing, merchant cash advance and credit card receivables factoring.

Even though this is a viable and sound strategy, there are several difficulties to avoid. Below you will find our suggestions for simultaneously

obtaining business cash advances and improving credit card processing.

Realize that the business cash advance strategy is not readily available until a business has been operational for at least one year. A further limitation is that the business must have been using credit cards as a form of payment by customers. It would be wise for new business owners to review this strategy in order to be better prepared for future business finance options needed in the future.

Determine how much additional working capital your business needs. In general a business cash advance is possible for varying amounts and this amount will depend on the monthly credit card processing volume for a business.

Review your monthly credit card volume as well as cash receipts from your customers during the past six months. It is not unusual for a business to experience cyclical variations in their monthly receipts, and these fluctuations are generally acceptable in calculating the potential for a business cash advance.

Avoid business finance sites which request that a business owner submit an online application for a business cash advance. To illustrate the problems associated with an online business financing application, we have prepared a separate business loan report entitled how and why to Avoid the Online Business Loan Application Trap.

An experienced business cash advance advisor should be consulted. High-pressure representatives making unrealistic promises about the speed of the credit card financing process should always be avoided. A realistic expectation is that a merchant cash advance can be finalized in a period of two to four weeks. A knowledgeable working capital financing advisor will be able to provide an initial assessment of potential working capital advance options based on information referred to above.

Explore additional resources that will facilitate a better understanding of complex credit card factoring issues. You should look for sources which will provide relevant strategies and solutions for any business owner contemplating a future business cash advance.

Complete an initial business cash advance application once you are satisfied that you have identified a suitable advisor and provider for coordinating the credit card processing and credit card receivables factoring. Please remember our advice to avoid the online versions for this step. Faxing or emailing a completed application directly to the advisor-provider is the

preferred method for submitting initial documentation. Please note that there should not be any up-front fees or closing costs to obtain a working capital advance.

6.5 The Impact of Computerization on Retail Sales

Ever since computers were released to the public for private, non-military use, people have been thinking of ways to use them for profit. One industry that has seen a huge impact of computerization is the retail sales industry. These are the commercial businesses that are closest to the customer, distributing finished products directly off the shelves and into the customers' homes. In this essay we will examine the retail sales environment over three stages of computerization -- direct replacement of current activity, enhancement of activities, and ability to perform new functionality.

Before the process of computerization began in retail sales, the store manager was in charge of nearly all aspects of running the store. This included deciding which items to keep in stock, how much to charge for each item, and managing the employees. For a manager, running a successful and profitable store meant hard work and clever thinking. Bad managers were typically disorganized and did not have what the customers wanted.

A good case study for computerization in retail sales is Wal-Mart. Wal-Mart is a good case study because it is a company that was founded before computers had much impact on sales. The first Wal-Mart store opened in 1962 and the company is now the world's largest retailer thanks in part to computerization. Throughout this essay we will examine how computerization has impacted retail sales in general and more specifically how it has helped Wal-Mart rise to become the world's number one retailer.

First Stage

In the 1960s computing devices began to be increasingly associated with businesses. The first credit cards came into common use during this era, reducing the need to carry large amounts of cash to stores. Some larger businesses even purchased computers to manage customer data and speed up accounting. This was the beginning of the first stage of computer insertion into retail sales.

During this era where computers began replacing tedious business tasks, there was some change in productivity, primarily in keeping up with company

expenses. In some cases, consumers did not have to wait quite as long to check out because of increasingly powerful cash registers and calculators. Some jobs were replaced because the stores did not need as many people to support their customers anymore.

In the case of Wal-Mart, this was the time when the first stores were opening. Other discount retail stores like Kmart and Target were quickly expanding and searching for ways to operate cheaper and more efficiently. Computers began to be used in a very limited way for accounting and other minor tasks.

Second Stage

Another phase of computer insertion into the retail sales industry reached its height in the mid 1980s and early 1990s. Computers had become fairly popular and were in common use by even small retail stores. During this phase many tasks were being automated. Nearly every store had inventory control computing systems to keep track of what goods the store had as well as what items should be reordered and restocked. Bar codes also came into wide use in the 1980s, making retail store checkouts much faster. It was around this time that anti-theft systems became popular in stores. Many retail stores used computer software to take care of accounting and employee payrolls.

Huge malls and super-stores like Wal-Mart could never have existed without the level of computerization that was developed by the early 1990s. The major factor that determined the success of major discount retailers was computerization. Wal-Mart ultimately won its war with Kmart because it was the fastest to embrace computerization.

By 1993, Wal-Mart was using one of the most sophisticated privately owned computer systems in the world for its inventory tracking. The entire process for restocking was automated through the use of its computer systems and satellite links. The system at Wal-Mart stores would determine when more of a product was needed and then send an order directly to the closest supplier via satellite. This efficiency in inventory control was the main reason that Wal-Mart was able to beat its competitors.

Third Stage

Today we are at the point where new functionality is enhancing the way goods are sold to us. For the most part, it was the dot-com boom that paved

the way for this new level of computerization. With the World Wide Web emerging as a new method of retail marketing, local businesses could sell products to anyone with access to the Internet. The Web also provides a place where businesses can advertise their products and provide information all over the world.

With the Internet rapidly becoming a massive worldwide marketplace, many businesses are being forced to open new employment positions for technical workers. Even though it may take fewer sales clerks to keep a store operational, technicians, programmers, and web developers are now required to keep the systems in good maintenance. If a system or web site goes down, it could prove extremely costly for many companies.

Wal-Mart recognized the growing importance of the Internet by launching its website in 1996. By 2000 Wal-Mart released its online shopping sites to compete with major online retailers like Amazon.com.

Another aspect of retail sales which computerization has affected is data collection. Tracking systems have become very popular in retail stores. Many stores have systems which track every item in the store, who purchased the item, and who sold the item.

Inventory tracking systems allow stores to determine what kind of products the store needs more of and how many of those products to order for restocking. They help keep the stores stocked with things that customers want. Customer tracking systems keep a database of all of the store's customers, their buying habits, and what kind of products they may be interested in purchasing. There are even employee tracking systems which keep a record of employee actions in order to gauge productivity.

All of these tracking systems are part of a push to personalize the shopping experience in an increasingly impersonal and computerized world. Businesses use the computerized tracking and personalization to simulate caring and understanding of the customers that was much more present before the introduction of computers. Only time will tell how much information consumers will allow companies to gather from them before they feel suspicious of the company's motives.

None of us live completely independently of others. We all depend on retail sales to live, so the computerization of the industry affects our everyday lives in a large way. Computerization in the retail sales industry takes away the tedious and time-consuming jobs and allows retail stores to serve more customers in less time. Consumers also benefit from computerization. They

have more access to product information and alternatives, so they can make more informed choices on the products they purchase. Regardless of whether its impact is good or bad, computerization in retail sales helps our society work more efficiently and cost effectively.

6.6 Outsourcing and Crisis Management

6.6.1 Outsourcing for the Retail Industry

Retail executives believe outsourcing delivers operational efficiencies and provides them with the ability to detect and quickly respond to customer needs. To combat the low margins and commoditization, high-performance retailers are leveraging outsourcing to increase operational effectiveness and gain enhanced productivity and lower costs.

Outsourcing can range from IT infrastructure through applications to a business process (part or whole). Many companies are increasingly seeing outsourcing as a phased process, beginning with infrastructure and ending with one or more business processes being managed by a trusted third party.

The benefits of outsourcing can be enormous:

Management focus: Focus scarce management resources where they are most needed.

Keeping up to date at reduced risk: The outsourcer can bring industry-wide experience to bear, along with specialist knowledge, to help ensure the right decisions are made.

Reduced costs: Economies of scale can drive down unit costs, as do the use of shared resources. Unpredictable capital costs are replaced with more easily controlled, variable operational costs.

Improved performance: Expert outsourcers can help clients simplify and automate their business processes through applying proven practices.

Scalability and flexibility: Outsourcing Network allows clients the opportunity to match changing needs to resources and infrastructure as required.

6.6.2 Crisis Management

6.6.2.1 What is crisis management?

Crisis management is the process by which an organization deals with any major unpredictable event that threatens to harm the organization, its stakeholders, or the general public. Three elements are common to most

definitions of crisis: (a) a threat to the organization, (b) the element of surprise, and (c) a short decision time.

Whereas risk management involves assessing potential threats and finding the best ways to avoid those threats, crisis management involves dealing with the disasters after they have occurred. It is a discipline within the broader context of management consisting of skills and techniques required to assess, understand, and cope with any serious situation, especially from the moment it first occurs to the point that recovery procedures start.

Crisis management consists of:

Methods used to respond to both the reality and perception of crises.

Establishing metrics to define what scenarios constitute a crisis and should consequently trigger the necessary response mechanisms.

Communication that occurs within the response phase of emergency management scenarios.

6.6.2.2 Types of Crisis

During the crisis management process, it is important to identify types of crises in that different crises necessitate the use of different crisis management strategies. Potential crises are enormous, but crises can be clustered

There are 9 types of crisis-

1. Natural disaster
2. Technological crises
3. Confrontation
4. Malevolence
5. Crises of skewed management value
6. Crises of deception
7. Crises of management misconduct
8. Workplace violence
9. Rumors

6.6.2.3 Role of apologies in crisis management

There has been debate about the role of apologies in crisis management, and some argue that apology opens an organization up for possible legal consequences. "However some evidence indicates that compensation and sympathy, two less expensive strategies, are as effective as an apology in

shaping people's perceptions of the organization taking responsibility for the crisis because these strategies focus on the victims' needs. The sympathy response expresses concern for victims while compensation offers victims something to offset the suffering."

6.6.2.4 Crisis in Indian Retail Industry

The current meltdown in world markets is shaking the globe. Not even a single country seems to be off the hook. India too is not exempted from the impact. All this is leading to a temporary recess for the markets from a regular busy schedule.

The Retail market in India is facing slowdown with the ongoing financial crisis taking place across the world markets. Since the markets are internally linked to each other, the impact of the crisis is generally shared among all. The following circumstances are creating unwelcome snags for the Indian retail industry.

Markets in recession worldwide and India:

The current meltdown in the world markets is shaking the globe today. Not even a single country seems to be off the hook. The high level of inflation has been a wet blanket for the global markets. The roots of the world markets are nearly pulled away with the heavy downfall of the American financial giants. Amongst many countries, India too is not exempted from the impact of world financial crisis. All this is leading to a temporary recess for the markets from a regular busy schedule. However, these fluctuations are not new for global market. For decades, markets across the world have been witnessing such ups and downs. But the ultimate fact is that the market growth rate is constantly high when comparing to such downfalls.

Economic slowdown:

The financial crisis is adding to the pressure on global economies. The International Monetary Fund (IMF) now sees the world entering into a major slowdown. The recovery would depend on three key factors: Commodity prices stabilising, the crisis in the US housing sector bottoming out and emerging economies providing a source of resilience. But, if the current crisis were to last longer, the emerging economies are more likely to be affected.

The impact on retail industry:

The inflation or the economic slowdown is adversely affecting the retail

industry. With the suddenly disturbed economic status, consumers are gradually losing interest on buying. And for those interested, the unbalanced income, followed by the economic slowdown is not meeting their buying requirements. This evolution soon disappointed the hopes of retail industry. Anyhow, it's all a short-term crisis for the retail industry until the things turn around.

Low marketing and advertising budgets will work out:

To rectify the things, right solutions are always excavated. Whether the market growth is slower or faster, its potential should not be left unused. Anyway, new and innovative solutions must be invented to answer the current market slump. Cutting down marketing and advertising budgets will reduce the financial burden on retailing industry. Marketing and advertising are the supreme factors for the retail industry to penetrate more into retail market. Following innovative marketing and effective advertising at low prices will be a brilliant move for the present day market trends.

Challenge to get more customers at low cost:

In this current meltdown, driving the customers to the retail stores seems high and dry. But, the markets always have a hidden potential despite the slump. Today, the changing market trends demand the retail industry to expand its reach to more customer touch points so as to drive them to the retail points. 'Low investments and high returns' is now made possible with the arrival of technology enabled marketing services. The retail industry should realise that it would be at a fair advantage of including technology enabled marketing services to unfold the immense retailing opportunities.

Present communication channel is ineffective and involves high costs:

The present channel for customer communication is apparently ineffective, which the retail industry has been following for the decades. Moreover, it always involves high costs too. The outdated communication channels should be modified according to the changing market trends. Now, an uninterrupted marketing channel, which will be continuously tied to the shoppers, is needed to boost up the retail industry. Going beyond the traditional marketing at low prices will cut down the high costs and brings good returns.

6.6.2.5 Best Alternative to Manage Crisis in Retail Industry

Today, crisis management dictates most store employee management practices. Retail needs to schedule to meet employee preferences and store needs, improve employee performance management for greater retention, provide training for more capable management and create an employee "brand" as a good place to work. With automation, stores will be able to create and manage a profitable workforce.

Now it is the time to find the right alternative for the retail industry to bring down the expenses and to move up in the market. With the lack of online searches, happening daily for the different products, online market is now creating enormous opportunities in retail business.

To reach the online shoppers, online retailing is the best alternative solution for retail industry, through which online branding can be achieved. Online branding and online marketing are the on going retail business trends.

6.7 Energy Management

6.7.1 Present situation

The word environment depicts a vast area. The protection of the environment is vital for Sustainable Development. Relevant factors of environment include food, waster, energy, natural resources, toxic substances etc. Energy is one of the most important factors of environment.

Energy Management is critical to our future economic prosperity and environmental well being. Energy is essential for the functioning of most of the industrialized world as well as developing and under developed nations.

Yet at the same time energy production and consumption causes degradation of the environment of the industrialized world and it seems that developing countries are also facing the similar kind of problem. Energy management is one of the most critical issues for the future as so much of the world is dependent upon it.

Thus we need to understand the traditional sources of energy, their quality, availability and environmental effects, as well as the potential alternatives for energy and the effects of these upon the natural environment and modern industrial economies. Over the past two hundred years the use of primary energy sources in manufacturing or processing has evolved from simply using locally available resources, such as waterpower, firewood or coal. The transition from coal to a petroleum-based fuel economy took place

through the twentieth century. With changes to the oil market in 2000 catching media attention around the world, there is further interest in the ongoing transition to renewable energy sources. Managing energy is now a basic feature in the global economy and environment. Fossil fuels in the form of oil, natural gas and coal comprise approximately 80% of the world's energy use. We now face a world where the environmental impacts of combusting fossil fuels such as coal and oil are identified as unsustainable in the long term. The need to turn to increasing use of sustainable and renewable energy sources is clearly agreed.

The aim of energy management is to reduce the amount of energy a building consumes. Good energy management starts from an understanding how a building uses energy. The next stage is to identify inefficiencies and agree actions to improve efficiency. These actions need associated targets and ongoing monitoring to measure their performance.

Actions taken to improve efficiency can vary. Some cost nothing, others are low cost and some require greater investment. Some use technology, other focus on people but good energy management will normally deliver savings through a combination of methods.

Improving energy efficiency can bring many benefits

- * Lower energy costs
- * Reduced carbon emissions
- * Improved working conditions
- * Better control
- * Ensures legislative compliance
- * Aids ISO 14001 accreditation
- * Demonstrates corporate & social responsibility

6.7.2 Green retail - A study based on UK Retailer scenario

The built environment is estimated to produce 40 per cent of the world's carbon. Retail space represents a significant proportion of that built stock - 17 per cent by size of the commercial estate in the UK.

The constant pressure upon consumers to 'go green' has had an inevitable effect upon their choice of goods and has led to significant changes in their supply.

However, despite the focus upon green products and upon transport in the supply chain, little has been written about the environmental friendliness

of the retail space itself.

In the development context this is well understood. Modern shopping centres are built to the highest environmental specification and are demand led, ensuring viable, liveable space.

Every major supermarket trumpets its green credentials, its healthy eating range, its policies to combat carbon emissions and reduce waste, and the ethical producers it uses. This season, People Tree became the first UK fashion house to gain both Fairtrade and Soil Association accreditation. Oasis, Topshop, Tesco and Marks & Spencer stock organic and Fairtrade collections. The Co-op has featured Fairtrade products for some years and its own-brand black chocolate and own-brand coffee is exclusively Fairtrade.

Big retailers are leading the charge. Marks & Spencer, for example, aim to make their UK operations carbon neutral within five years using a number of different strategies. Most relevant to this paper are a commitment to reduce energy use and to use green energy. Since 2003, the company has reduced CO₂ emissions by 30 per cent per square foot in their UK stores and aim to reduce it by a further 25 per cent.

The company has opened a number of 'eco stores' and comparing two of them is instructive for this paper. The Bournemouth store was a refit of a 1930s building. Here energy savings of 25 per cent were achieved and the CO₂ output of the store reduced by 92 per cent through using green energy. A new store in Glasgow, by comparison, saved 55 per cent of energy and reduced CO₂ by 95 per cent.

This underlines the problem for most retail space. The overwhelming majority was developed to much lower environmental standards and the dilemma for most retailers is how to make their existing space greener.

Tactical responses

- Upgrade to low energy devices
- Use LEDs and low energy bulbs for lighting
- Use green energy

Strategic responses

- Greater virtuality
- Green home delivery
- Green travel plan

6.8 Exercises

1. What is meant by operational planning?-explain.
2. Discuss store and shop operations in detail.
3. What type of security and safety measures should be taken in retail stores?
4. What is the impact of computerization on retail sales?-elucidate.
5. How do you explain the method of outsourcing? Discuss the benefits of outsourcing.
6. What is crisis management? Explain the crisis in Indian retail industry.
7. Discuss the present situation of energy management.
8. Discuss green retail with us case study.

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