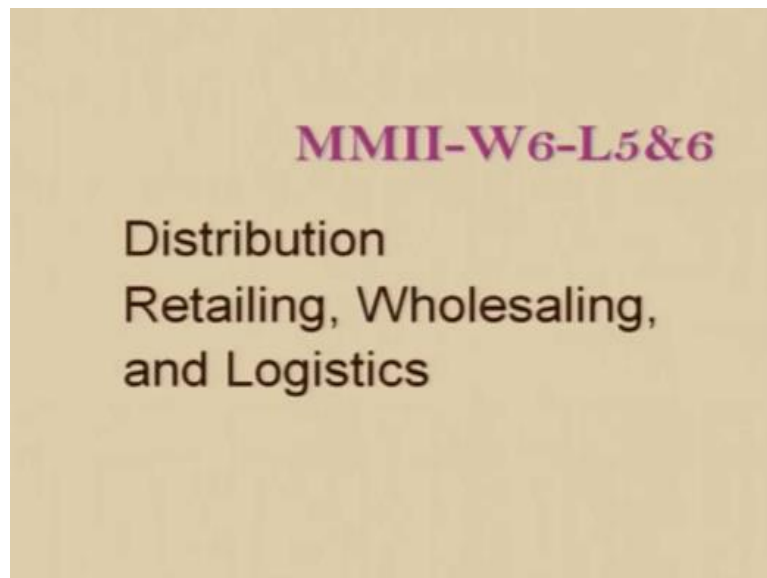


Marketing Management - II
Prof. Jayanta Chatterjee
Dr. Shashi Shekhar Mishra
Department of Industrial and Management Engineering
Indian Institute of Technology- Kanpur

Lecture No. W6-L5
Retailing and Wholesaling

So welcome to the last two sessions of the sixth week of our course marketing management part two and as you would recall we are discussing about distribution channel marketing and this whole issue about availability of materials goods and services across geographies across time and so on. As I discussed during the last session, I would like to use utilize this last two sessions to focus on the topics like retailing wholesale and logistics.

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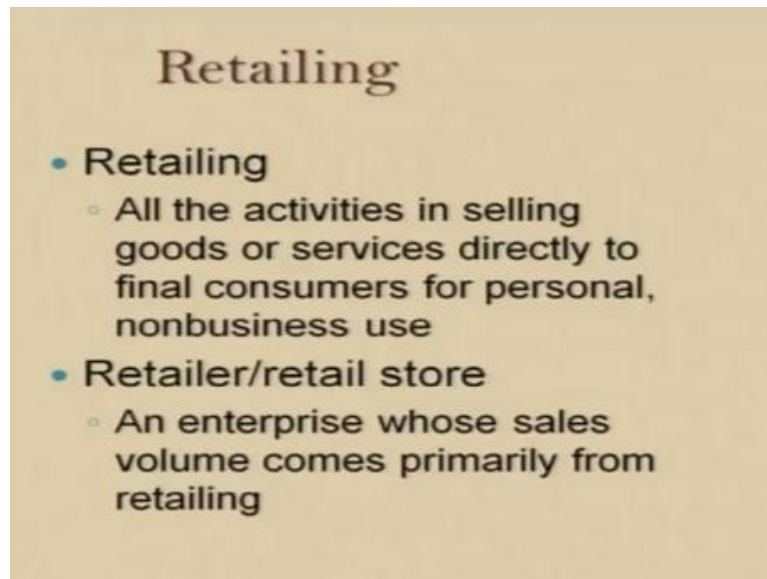


Particularly retailing as a form of marketing which is now increasingly becoming quite important. Because retailing has now taken many shapes there is there are physical retailing activities as there always have been but now there are blended channels like partly electronic partly physical or certain activities are done on the electronic channel and then it is fulfilled through the physical channel and so on.

So, retailing earlier was mainly for consumer fast moving consumer goods or packaged consumer goods as they are called. So, they were mainly staple and convenient products food beverage personal care household care and so on. But today this whole issue of retailing has taken many dimensions retailing is as important today for low cost or low transaction cost, daily use products, retailing is also important for high value specialty goods, retailing is also

important for shopping products like apparel or shoes and other personal attire products.

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So retailing has many dimensions but the main definition of retailing remains the same that all the activities of selling goods and services directly to the final consumer. So, this is a most distinctive part that retailing is always dealing with the final consumer and as a result a real information about the market, real information about consumers choices, real information about evolving, buying behavior, buying patterns are really available only from the retail points.

So, the retail points have now become a rich source for gathering data for strategic analysis for deciding the entire marketing activity. Because of this is where the rubber meets the road, this is where the front line operates where we are in direct touch with the consumer. So, there are different types of retailers there are store retailers as well as non store retailers.

Non store retailers means like say the vending machines which you see at airports or at a major public places where you can get a bottle of water or a bottle of soft drink just by pushing in a required amount and automatically it will be given to you.

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Types of Retailers

- Store retailers:
 - Specialty store
 - Department store
 - Supermarket
 - Convenience store
 - Drug store
 - Discount store
 - Extreme value or hard-discount store
 - Superstore
 - Virtual + Physical showroom

So these are like non store retail points but mostly what we are going to discuss in this session are issues relating to store retail. So, store retail again takes various forms. So, there is for example, specialty store like many of the shop type of shops you see at airports or at a railway stations, they are the specialty store selling only cosmetics or selling only like the body shop which sells all kind of green products relating to personal care like soaps, like perfumes, like moisturizer.

So various kinds of personal care products which are, which has a unique value proposition that they are not mostly based on natural products often are produced without any harmful chemicals and so on. And so, this is a special value proposition for a niche market or for a specific market, high end market and these are examples of speciality stores.

There are specialty stores for say watches like Titan or some of those stores actually carry Titan watches as well as Titan eye care, I mean eye glasses or may carry Titans other products like fast track which deals with the various kinds of bags for various occasions for young people. So, specialty stores are often they grow into department store that means they may have different related products.

The department store again can be wholly owned by a particular entity like a shopper stop which is a kind of a department store or big bazaar but big bazaar being mostly dealing with groceries and household items and personal care items mostly fast-moving consumer goods as opposed to shopper stops which deals more with you can say shopping products like fashion apparel Jewelry and so on.

So, department store and supermarkets or hyper markets are mainly distinguished by the type of products they sell convenience stores are kind of stores which you find say at this petrol pumps, gas outlets there you are actually providing a convenience by creating a store on that same property. As the petrol pump where daily used products like bread or eggs or some snacks and some packaged food items or beverage items will be made available.

So, people drive in fill up their car tank and then while driving out the epic of a few things and sometimes because the gas stations petrol pumps are often located at convenient places. So, these shops can also cater to people looking for this consumer fast moving items drug stores are very prevalent in the western world drug stores like wall green are quite big.

So where they sell medicines they sell prescription medicines as well as what we call over the counter that means those medical products or medicated items which are like an aspirin where prescription may not be necessary. So over the counter drugs but drug stores also usually carry all kinds of personal care products cosmetic products household cleaning items and so on.

In India, there are drug stores but they are of the small format large supermarket format of drug stores are not very prevalent here but some of them will emerge because these smaller drug stores which were earlier sprinkled around metro police are now becoming bigger and bigger and therefore we may also see them appearing discount stores are quite interesting.

They have also started appearing now at shopping malls these are shops like 499 were you will buy everything at 399 499 299 199 rupees. So, which means these are the items where are sold at a very attractive retail pricing. Sometimes discount stores are also such stores were various kinds of brands available at a heavy discount for short spans of time.

These discount stores are also sometimes can be extreme value or hot discount store that means were suddenly there will be a flash sale where you will be getting sixty percent discount on certain high value brands. But for may be 6 hours or 2 days or 3 days and so on. These kinds of discount store are extreme value hard discount stores are now also appearing on the web so flip kart or jabong or snap deal, they will often actually announce this kind of flash sale of high value merchandise for a short period at a heavy discount.

This is mainly used by a merchant dealing in high value products only luxury products or high value brand products or shopping product types where the need to move the inventory. So, if there is an inventory accumulation and they need to accelerate or stimulate the buying then instead of affecting their main line pricing and they use this kind of a sale or using the facility of the discount stores. So, the discount stores are the extreme value stores.

Therefore, perform a very specific function of a moving the merchandise or moving slow, moving accelerating inventory super stores are you know large formats stores where there may be stores within stores and there may be number of departments. These are like in India big bazaar is growing into that sort of positions abroad there are you know Macys operating along with their another brand blooming dale and they so these are like super store and of course.

We are more and more seeing the combination of virtual stores, physical stores. So there may be virtual stores where people can make choices do the comparative shopping and then they can go to a physical showroom and make their final choice after some touch and feel exercises retailers can also have different levels of service so they can have different types of service like self service.

Self service means everything things are on the selves customer walks around picks it up puts it in their shopping trolley basket and then brings it to the checkout pays for it and goes home self selection are items were actually the it say there is bit more service available there. Because their customer will be selecting but there may be people available to assist to carry the stuff to the checkout counter or you make the selection.

There will be a shopping assistant who will pick up the material go and get the bill made on your behalf. And then bring the material back to you and so on.

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Types of Retailers

- Levels of service for store retailers

- ✓ Self-service
- ✓ Self-selection
- ✓ Limited service
- ✓ Full service

And then there are of course stores with limited service and finally stores with full service full service means stores are where there will be a shopping assistants knowledgeable about products which have been offered they can help you to do some comparative shopping and they can give you some style advice and they can give you some. So, I would say shopper stop is more towards limited service full-service format.

Whereas big bazaar will be more like self service type of format so level of service number of people employed and to interact with the buyer consumer that determines that what is the type of retail we are talking about. So, these four types self service, self selection, limited service, full service, non-store retaining. As I was talking about automatic vending besides that non-store retaining also takes the form of direct marketing, telemarketing direct selling, that means door to door selling of certain items.

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Types of Retailers

- Nonstore retailing
 - Direct marketing
 - Direct selling
 - Automatic vending

Some interesting format also have been created in India like Eureka Forbes who in an many various household consumer durables like water filter or for vacuum cleaner. They have created their specialized sales people who make calls knocks go door to door and then once they have created a customer base now. Of course, they often also get phone calls and then they respond by sending their sales representative who will demonstrate the product and will book the order right there and will also arrange the delivery immediately and so on.

And of course, now you recover because of a big customer base they have, they also get referral opportunities that means you may refer Eureka folks to some of your rep, friends or relatives and so on. So, this is a form of retailing where there is no physical store where you where customer goes but here the products are brought to customers doorstep or available through these automatic vending machines and so on.

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Types of Retailers

- Corporate retailing organization

TABLE 13.2 Major Types of Corporate Retail Organizations

Corporate chain store: Two or more outlets owned and controlled, employing central buying and merchandising, and selling similar lines of merchandise. Gap, Pottery Barn.

Voluntary chain: A wholesaler-sponsored group of independent retailers engaged in bulk buying and common merchandising. Independent Grocers Alliance (IGA).

Retailer cooperative: Independent retailers using a central buying organization and joint promotion efforts. ACE Hardware.

Consumer cooperative: A retail firm owned by its customers. Members contribute money to open their own store, vote on its policies, elect a group to manage it, and receive dividends. Local cooperative grocery stores can be found in many markets.

Franchise organization: Contractual association between a franchisor and franchisees, popular in a number of product and service areas. Dunkin' Donuts, Marriott, The UPS Store.

Merchandising conglomerate: A corporation that combines several diversified retailing lines and forms under central ownership, with some integration of distribution and management. Macy's operates Macy's and other retailers such as Bloomingdale's.

Types of retailer this is the table taken from Kotlers book which I mentioned yesterday. These are different types of corporate retail organizations. So we have corporate chain stores that means these are number of these are mostly American examples but you will see corresponding Indian example so like a big bazaar will be something like this or say h Nike or Bata for example it will fall in this category. So, Bata has changed selling shoes and related items all across the country through their own stores.

They also have some franchised stores and they are slightly distinguishes Bata and BSC and or they can be like big bazaar present in almost all the major cities corporate chain store , voluntary chains were actually different sponsored groups of independent retailers. They may sort of come together, they can be in the form of a retailer cooperative and a new format which is yet emerge very strongly in India.

Is this consumer cooperative where the retail organization is owned by member consumer and because they are presenting an aggregated demand? They are able to negotiate good prices for stuff and so in many cases even local grocery stores they operate now in conjunction to increase their buying power and they therefore for operate almost like a cooperative.

And then of course there are franchise organization, franchise stores retail stores which we see for McDonalds or Dunking donuts or for various kinds of other fast moving fast food items and then merchandising conglomerates. These are also not that prevalent in India but in

other say Singapore or even Thailand you see such organization like the central or lotus. So they actually are very large.

They are much bigger in size and total volume of business compared to the corporate chain stores and therefore they represent a very large buying power and as a result they are able to often provide attractive prices to the customers to summarize the modern retail marketing environment takes various forms.

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And we are seeing some interesting formats like the new retail forms like convenience or the convenience stores in at gas stations, petrol pumps and we are seeing the growth of this giant retailers right like a big bazaar or like reliance fresh or like chroma and we are now seeing the sort of the middle market retailers are declining there is a continuous rise of neighborhood local stores and it will be very interesting if you study on the web.

The structure of this chain of stores called 7 eleven very strong in Japan and in some other parts of Southeast Asia. So these stores are part of a large organization but take small to medium formats and they operate like neighborhood stores and they offer a wide range of products which our customers may need to buy quickly. So it could be some soft brings or it could be milk it could be bread, it could be eggs, it could be some snacks items.

All these and they do also sell some bulk not bulk, but smaller package staple products like rice or flour and so on. And so, these are items where you quickly need and go out walk for few hundred meters and access the products. So, in India these are Kerana stores or

neighborhood stores or what we call mom and pop stores they are independent entities small entities.

But we will definitely see the emergence of these retailers across the city this neighborhood retailers coming together forming their own network operating as a cooperative and creating more aggregated demand increasing their purchase power. And so that they can offer more standardized attractive prices too. The customers discount retailers are also many more of varieties are coming on the web as well as in the physical world and the other very interesting format that we have seen recently growing around India is this fast fashion.

Fast fashion retailing basically means that they change the products on display and products merchandising very fast every two weeks. They may be changing so they are therefore cater to dynamic fashion they are therefore cater to fashion for young people where moods change, styles change, preferences change quite rapidly. So, this Zara which is a Spanish chain specializing in this kind of fast fashion or H&M or recently big bazaar has launched big bazaar fashion.

So they are the this new format retaining called fast fashion retailing. So with this we will now conclude one part and we will discuss in the next part some issues like the role of technology and what a technology application in retailing in what way that is influencing the overall marketing of an organization. So that will be our next session the role of technology in modern retail marketing. Thank you!