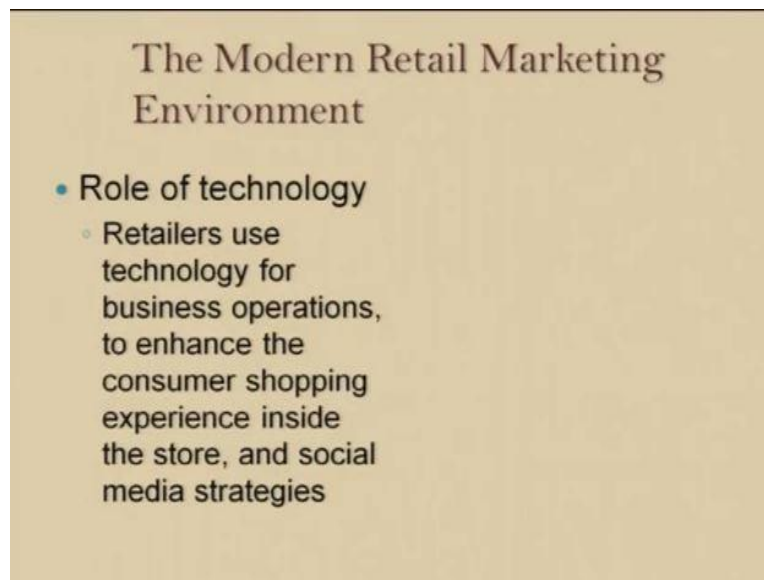


Marketing Management - II
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Lecture No. W6-L6
Retailing and Wholesaling II

Hello welcome to last session of the sixth week of our course marketing management part two and we are discussing this week channels distribution, intermediaries, logistics and retail merchandising in the last session. I was I concluded with this slide that is on your screen, it is regarding the modern retail marketing environment in the modern retail marketing environment there is an intense use of technology.

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Technology is used for improving the retail business operation. I was discussing about how in a very large networked retail operation like Walmart. They know at every store from the point of sale every store keeping unit, every soap that is sold. And accordingly, they use a demand based fulfilling so, which means that every soap that is sold out correspondingly. A soap is on its way to that particular store retail outlet and correspondingly the whole information system feeds it to the supplier of soaps.

And or in some cases even to manufacturers sub suppliers. So that the fulfillment chain can be activated on the basis of pull on the basis of every sale that is made this sort of a real-time information based inventory management and pipeline management supply chain management delivery chain management is a regular feature of a good retail operation of

today. Technology is also used to enhance the shoppers experience in the retail outlet by way of monitoring the shopper's movement the merchandising layouts are often improved.

So, that related merchandise is kept in the way that the shopper has the least inconvenience. So, baby products will be kept in such a way that not only diapers and such baby products but also young parents. We need to buy other products and they will all be sort of co located or will be put according to a layout logic which will be easily understood by the target customers.

Also, many experiments are made with a store ambience like music or like smell all these are experimented with technology. And based on those feedbacks shopper's experiences are improved and these days also there is almost real time analytics of social media. So that products which are on the shelves how they are being appreciated or as even many stores encourage customers to comment on social media or through twits etc.

And such feedbacks or customer reactions are aggregated analyzed interpreted and according these store inventory decisions store layout shoppers movement decisions are taken. So, this information system and use of information communication technology has really brought a lot of efficiency today to the retail operation and has vastly reduced a slow-moving inventory and pipeline inventory and on the whole.

Therefore, the financial efficiency of the retail businesses have improved due to use of information, communication, sensing, actuate and other technologies even heating ventilation and air conditioning expenses are large expenses of large format stores. Even those are now controlled sensing the actual number of people in the store and accordingly temperature control is managed, energy consumption is managed, illumination level is managed.

So, these are very effective uses of technology to improve the efficiency of business operations and enhancing of shoppers experiences.

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Retailer Marketing Decisions

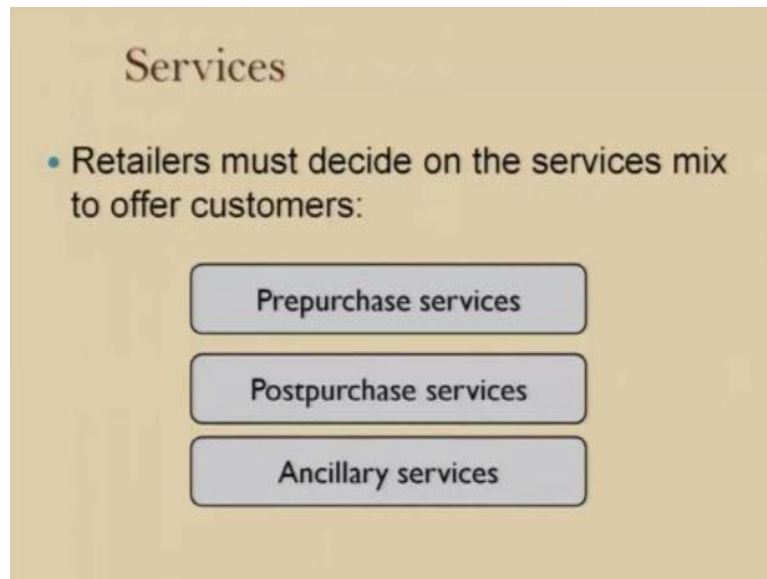
- Target market
- Channels
- Product assortment
- Procurement
- Prices
- Services
- Store atmosphere
- Store activities and experiences
- Communications
- Location

So, retail marketing decision is therefore at the concluding we can say will be based on your target market the different channels, the product assortment, the procurement, the prices, store atmosphere, service levels, store activities and experiences communications locations. These are all retail marketing decisions so, lot of these decisions about what is the whole process of market segmentation targeting and positioning.

That we have discussed in our previous marketing management session MM1 the last week we have discussed about channels and distribution and all those really come to play at the retail management at the front-line level. And I will I am going to discuss all many of these about we have discussed services and the importance of ambience and service scape just like landscape concepts.

We will discuss maybe in a later week when we discussed specifically services marketing but let me discuss a little bit about services in the context of retail.

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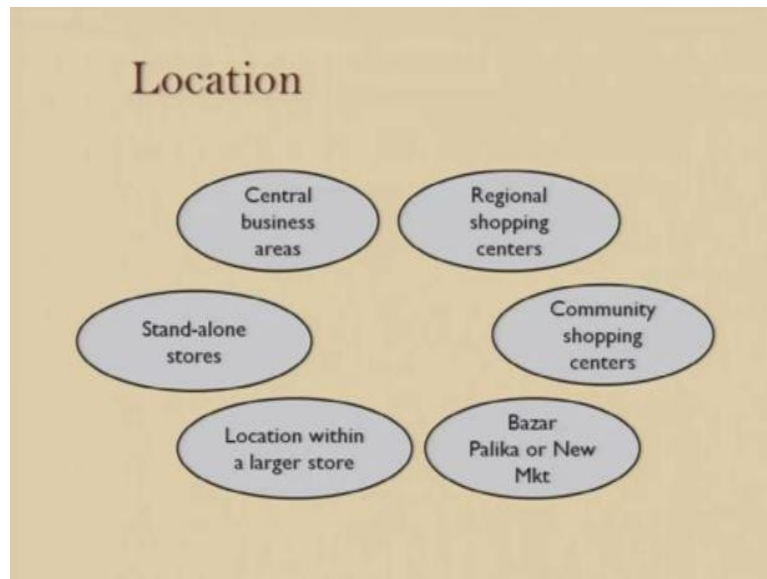


So, services can be pre-purchased services which are by way of shopping assistants the shopper flow resistant role of advising customers giving them comparative information pointing out the appropriate products to them based on understanding of their requirements. So, these are pre-purchase services provided by retailers and in we have found through research that in consumer durables or high value consumer products like cameras, phones etc.

The shopping, the flow resistance role the employees of the retailers play very crucial role. They can actually often improve the sales performance of individual products. If they are properly informed and they are properly able to advise the customers. Similarly, of course there are post purchase services where faults are attended. Defects are rectified replacements are made and a proper advice is given with respect to correct usage.

And then there can be ancillary services relating to transportation of say for example a washing machine, you purchase and delivery to your home installation. All these are sort of ancillary services not directly related to defect handling or customer problems solving but giving them additional services to make it like a end to end process a very interesting a decision area in retail marketing is location where should the retail outlet be located.

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Whether it should be in central business area or near in the regional shopping center or it should be near community shopping centers or it should be a standalone store or it should be a location within a large store or it should be located in a bazaar like the Palika bazaar or new market in Calcutta or Palika bazaar in Delhi. These are decisions which have to be taken based on the type of product the frequency of purchase the ticket value of each purchase and so on.

And you should observe in your city or in your town how different shops are located at different points and why shops are clustered. For example, in a many towns you will find one place, where many of the shoe shops are located or many of the luggage shops are located or many of the tailors are located or many of the fabric merchants and apparel shops are located. So, why they co locate please think about it.

And let's have a discussion on this at the forum that whether they should what should decide that suppose you are actually setting up a retail outlet for a low fat. A new generation organic snack foods, where should you locate your retail, should you have intense distribution, should you have selective distribution, should you only be at, should you open a standalone store or you should have a store within a large store like Big Bazaar think about it. And let's have discussion on the forum and another topic is private label.

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Private Labels

- A private-label brand is a brand that retailers and wholesalers develop
 - Role of private labels
 - Private-label success factors

Private label is a brand that retailers and wholesalers develop. So, I think I have discussed this private labels often compete with a major brands and usually the retailers or wholesalers. They provide attractive price so, you may be having a private label for say cooking spices, and they will be co located on the shelf with the top brand spices and the store private level spices will be slightly lower prices or will be given some other a selling point like they are coming from cottage industry or they are handpicked or etc.

Quality level is higher and so on. And today because of the power of the retailers manufacturers or brand owners are often accepting this collocation or that and this competition from private levels. Wholesaling is another interesting point to discuss we have discussed many aspects of whole selling in the earlier parts of this week discussion.

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Wholesaling

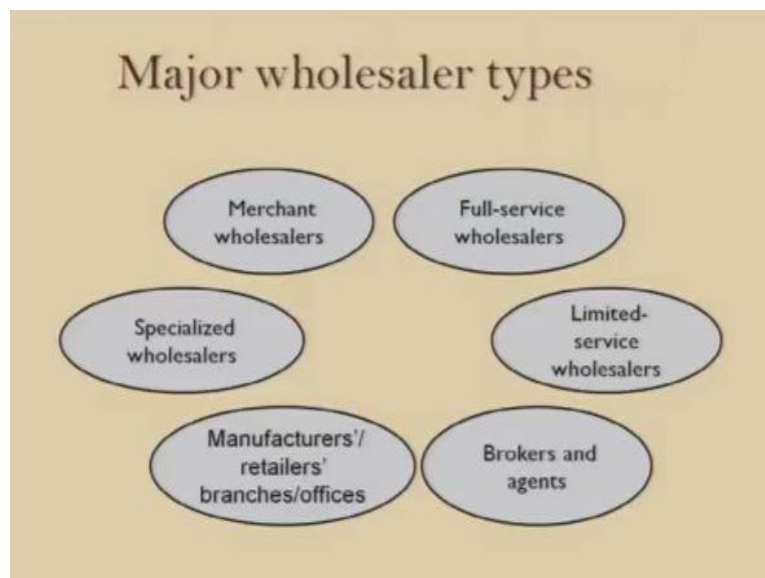
- Metro Cash & Carry
- Wholesaling includes all the activities in selling goods or services to those who buy for resale or business use

But like for example a new form like this Metro cash and carry or there are other cash and carry operations. Cash and carry means these are stores which are not for consumers, but for retailers. So, retailers go to this store buy at an advantageous price various items which are to be retailed. So, and they therefore help in the logistics management, so retailers can go every day and pick up required stuff from this cash and carry outlets.

There is a metro cash and carry in Calcutta or I think there is one in Bangalore and they supply retailers from fish to vegetables to grocery items to personal cleaning, personal care items, house cleaning items to t-shirts to shoes even consumer durables. So, these are large operations and help to provide the retailer only that much that it the end retailer or small retailer is able to stock and the titles get transferred.

They really the retailers come and purchase the items but they can therefore modulate. They can buy everyday so, they dont want to have a large inventory at the back end of the shop.

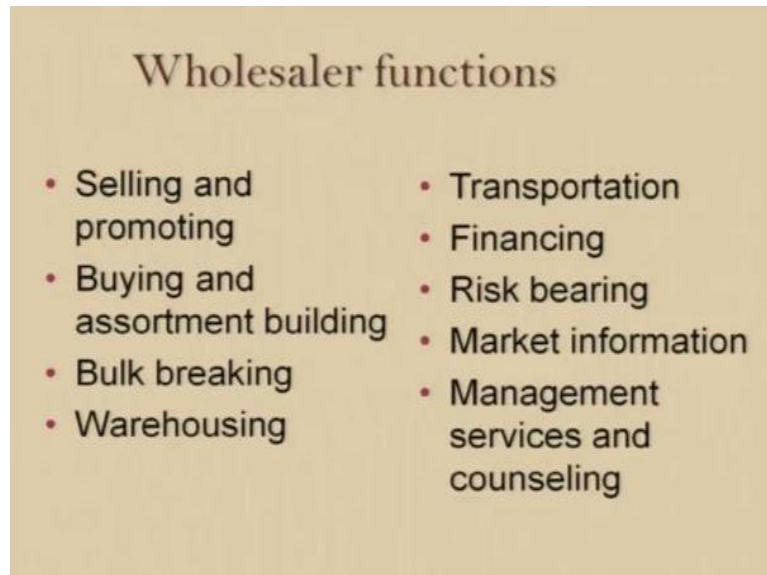
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And that gives a lot of advantage so, wholesalers are of different types again just like retailer sort of different types or wholesalers can be merchant wholesalers or they can be full service wholesaler. That means they not only provide the products but they also provide access to services etc. There are specialized wholesalers or there can be across the border wholesalers and then there are also brokers and agents these are different types of intermediaries.

We have discussed but some of them also perform the wholesaler's role. The wholesaler's functions are mainly stocking inventory transportation a assortment building that means the wholesalers may actually put together a whole basket for a typical a neighborhood store.

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So, they may provide detergents and soap and personal care products all as an assortment to a retailer ten items of these, five items of these detergents and twenty items of a particular type of soap and so on. So they in a way help as they perform the backend operation of many a small retail outlets and they therefore do the functions of bulk breaking that means they get from manufacturers maybe packets of hundred.

And then they break that bulk in to smaller five, ten, fifteen size packets for the end retailers and of course they provide the warehousing function, a transportation, financing risk bearing market information. And they also often provide consulting services to retailers in fact people like a HUL or ITC through their wholesalers give a lot of shopping and technology support to small retailers which ultimately benefits of course those manufacturers I am now going to conclude today session by discussing about logistics the word logistics actually related to the supply chain management.

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Market Logistics

- Supply chain management (SCM)
- Market logistics
- Integrated logistics systems (ILS)
- Market-logistics objectives

There are other work words like integrated logistics systems third party logistics TPL and all of these terminologies are related to logistics which fundamentally means and the flow of the material from the manufacturer to the end consumer through different stages and different sort of transportation possibilities so when you plan logistics then you have to think about the company's start with the value proposition.

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Market Logistics Planning

1. Deciding on company's value proposition
2. Selecting best channel design and network strategy
3. Developing operational excellence
4. Implementing solution

And according to you have to decide your best channel and networking strategy and then develop the operational plan and implement the solution. So, if you are suppose coming up with a new generation soft drinks which is going to take the competition with the existing brands head on then you have to go for a big bang at least in a region you have to go for a big bang all out distribution.

So, you have to therefore plan according to this the value proposition of your product and accordingly you have to decide your channel and network strategy.

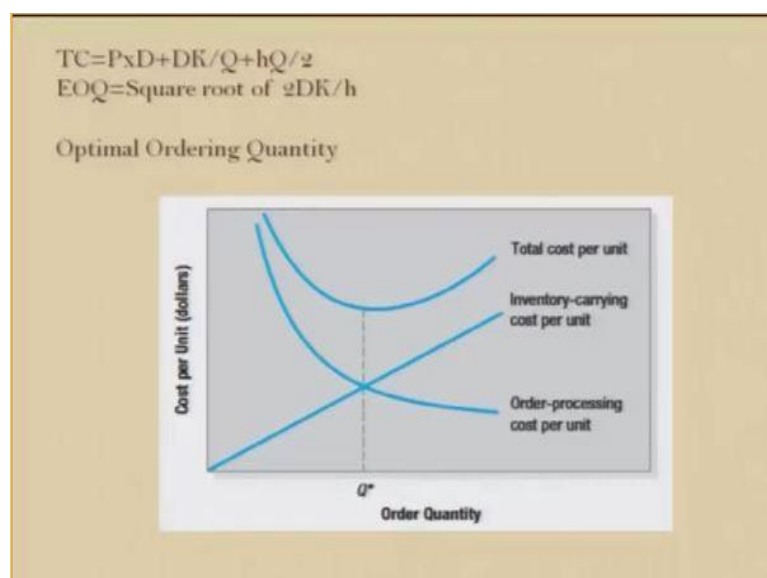
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Market-Logistics Decisions

- Order processing: how should we handle orders?
- Warehousing: where should we locate our stock?
- Inventory: how much stock should we hold?
- Transportation: how should we ship goods?

So, market logistics decision are related to order processing how should we handle orders warehousing where should we locate our stock in how many places in what volume inventory. How much stock should behold, how many times that the retailer should place orders on the wholesaler transportation, how should we ship the goods these are typical marketing logistics decisions.

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Take for example this graph on which is on your screen regarding economic order quantity or optimal order quantity usually known in literature as EOQ. So, if you see the total cost is a is P into D . P means that it is the price per unit into the total demand for the year and then a

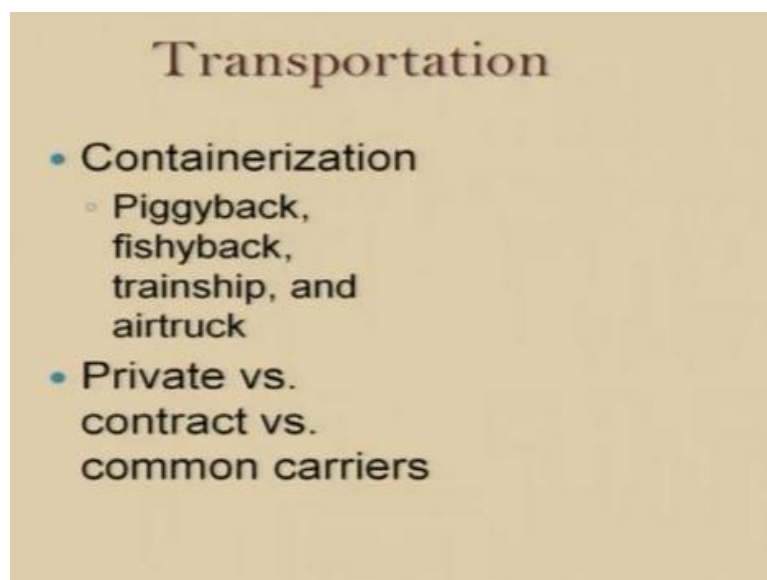
total demand multiplied by K by Q where K stands for the fixed cost per order and so per unit. So that K by Q will actually give you the ordering cost per unit. So D into K by Q you will be kind of the ordering cost and H by two into Q will be the holding cost average holding costs for the per unit.

So, if we take the first order derivative of this and that gives us a square root of two DK by H . This is the formula for the economic order quantity but you can understand this economic order quantity also very well by looking at this graph which is in front of you. As you see inventory carrying cost that means every unit that you are storing, So that obviously will be varying proportionately with the number of orders being number of items being ordered.

So, it will be a linear relation because more number of units are carried means more storages space means more air conditioning means more expenses. So, it is linear relationships on the other hand order processing cost per unit goes down with depending on the quantity ordered per time because if you actually increase the number of units ordered at a time then per unit order processing cost comes down. If these two one is linearly increasing and another is exponentially decreasing.

If these two are combined then you get a bathtub type of graph and so the point where the two graphs intersect gives us the minimal total cost per unit or the economic order quantity indicator.

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And lastly these days there are very interesting improvements in transportation which the retailers are taking advantage of so, we have concepts like Piggyback which means that when you are transporting by one man for one manufacturer all the soaps maybe you will use that same to transport the detergents. So similar items transportation logistics are planned together in an aggregate that is known as Piggyback.

There are terminologies like Fishy back were actually you combine sea or water transportation with land transportation. And like that there are number of multimode transportation of related products but the whole thing will depend on what is the network design of your distribution and accordingly your warehousing pattern.

And how therefore you will send out different packets in different directions using different modes so to a large extent this problem is quite similar to a communication network design and operation that sort of concludes our discussion short discussion on logistics more details about logistics you can learn from the supply chain management course.

But for our marketing side of retailing this introduction is important also for more details you can read chapter number thirteen of this Kotler and Keller textbook that I had referred this is the 15th edition available in India. So, with that we conclude our this week's discussions on distribution channels intermediaries' partners and logistics merchandising and retailing. Thank you!