

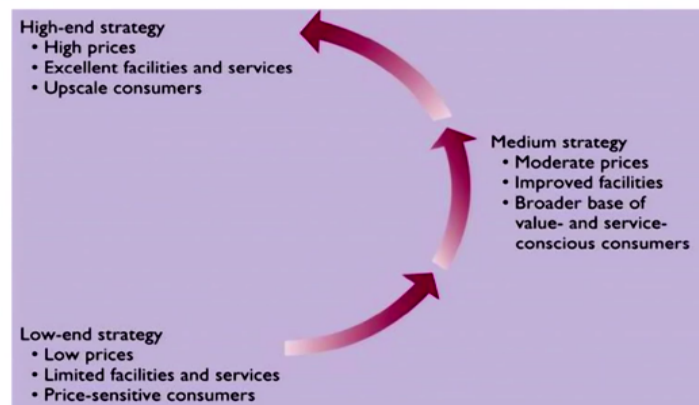
**Retail Management**  
**Prof. Swagato Chatterjee**  
**Vinod Gupta School of Management**  
**Indian Institute of Technology - Kharagpur**

**Lecture – 12**  
**Retail Institutions by Store-Based Strategy Mix**

Hello everybody, welcome to the NPTEL Swayam course on retail management. This is Professor Swagato Chatterjee from VGSOM, IIT Kharagpur, who is taking this course for you. We are in week 3 and in this week, we will discuss about retail institution by store-based strategy mix. So, there are multiple topics under this broad domain that we will discuss. So, store-based strategy mix means when you are trying to decide a strategy for the store itself. Means what kind of storage will be based on that you are creating your strategy. So, when that kind of decision is taken, this is called store-based strategy mix.

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## The Wheel of Retailing



Retail Marketing: Prof Swagato Chatterjee

So, we will start with this topic in this particular lecture, which is wheel of retailing and scrambled merchandising. So, what is wheel of retailing? Wheel of retailing is that it is a circular we call it wheel that means it go round and round. So, it starts with low-end strategy where generally an organization or let us say any institution which is trying to enter in a market, not probably if the market is absolutely (0) (01:35) somebody is coming in the market.

So there will be low prices, limited facilities and services and price sensitive consumers will be there that is called low-end strategy. So, when there is low-end strategy you are trying to

decide that how I can target more number of customers, maybe your main strategy will be a little bit or I would say; let us discuss first the high-end strategy. High-end strategy on the other hand it will be high prices, excellent customer services and the customers are not absolutely price sensitive.

In between these two comes the medium end strategy. Now, you have to decide that in this wheel what I will basically fall and based on that all your overall decisions, what kind of products and services will be stored, what kind of in-store services or out-store services will be provided, everything will be decided.

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## Lessons of the Wheel of Retailing

- Do not lose sight of your prime customer's price consciousness
- Beware of the dangers in upgrading target markets– Old segment gets “sticker shock” and new segment does not accept retailer's revised positioning
- Do not create opening for new cost-conscious retailer to emerge
- Employ customer benefit costing to weigh the cost and benefits of specific service upgrades
- Use unbundled pricing to separately charge for select services such as delivery, installation etc.

Now, when we call about the wheel of retailing there are lots of things that we should learn that even if I become a medium end or high end or low end. See the low-end guys will focus on price, high-end guys will focus on the services that you provide, but whatever end you decide you should not shift your focus from your core competency. What are you doing? What is the core retailing activity that you are trying to do that you should not forget?

You should not be very much price sensitive or very much quality sensitive, you should give a balance of that. You have to beware about the dangers in upgrading target markets. What happens if you update target market, the old segment gets the sticker shock, a new segment does not accept retailer's revised positioning. So, if you are a low-end strategy and all of a sudden you decided no, I will come up with a high-end strategy now.

Then the high-end people will not accept you even if your offering is very good, the brand image size that they will not accept you. And low-end people will start thinking that you are not giving products and services as per their requirement, they will get a sticker shock, means basically the price tag that is put on the product they will get a shock from that, so they will not be able to buy it. So, one people will not be able to buy it.

One people will not like it because of the image, so you might have a positioning problem. So which you should be very beware about. Do not create opening for new cost-conscious retailer to emerge. So, this is something that you have to also focus on that there can be other retailers who will be cost conscious. Employ customer benefit costing to weigh the cost and benefits of specific service upgrades and use unbundled pricing to separately charge for select services.

If you give all the services to the people and ask them to pay for all the services at one go, there is a problem. So then then the customers might not want it. So, it is better to have as much unbundled pricing as possible in this particular context because sometimes you do not know what they will be asking for or what they are not asking for. Now, this is the strategy, the positioning, the broad positioning that you are trying to take.

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## Scrambled Merchandising by a Shoe Store



Then there is another concept which is coming up nowadays which is called scrambled merchandising. Scrambled merchandising by a shoe store let us say, so what are they putting? They are putting slippers, shoes, socks, shoe polish, sandals, rubber galoshes, gloves, sweaters, umbrellas, belts, handbags. So ideally this is a shoe company, they sell shoes. You

can think about Bata in our context let us say. Bata showroom, it is a shoe speciality store, but they keep all of these things.

So, what this scrambled merchandising is talking about and slowly there is a format blurring that is happening. So, you do not remain a shoe company anymore, you become a one stop shop for any kind of accessories that somebody uses other than the dresses, other than the apparel, any accessories that you wear or anything which is related to leather or let us say the many leathers. So anything that is related to leather will come in this particular picture, anything which is related to rubber will come into this picture. So, this is called scrambled merchandising which becomes a one-stop store.

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## Why Scrambled Merchandising? (Format Blurring)

- Desire for one-stop shopping format.
- Concern to adopt "hot" products to increase store traffic
- Looking to increase store sales per square foot and same store sales especially in a recessionary period
- Computer electronic retailers need to offset maturity of businesses and reduced price levels
- Looking to make up for lost sales due to Web
- Desire for cross selling opportunities
- Looking for high gross profit businesses



So, what are the advantages of this format blurring or this scrambled merchandising? Desire for one-stop shopping format as I told. Concern to adopt hot products to increase the store traffic. So, you want to adopt the products which sells a lot. Looking to increase store sales per square foot and same store sales especially in a recessionary period. So, in a recessionary period, the last thing that gets heat is that these socks and handkerchiefs people stop buying them because people think that these are excess purchase.

So in excess purchase context, you might want to sell something else so that the overall sales remain same. Your computer electronic retailers need to offset maturity of business and reduce price level. Looking to make up for sales due to web, so you might want to when the web comes up that means the internet comes up, you might have faced competition. The shoe store might face competition, so his store might get dip.

So, the store might want to have scramble merchandising or format blurring so that he can keep more number of products, different kinds of products which might increase the sales a little bit. Cross selling opportunities, upselling opportunities, high profitability. So, you can keep the products which have higher margin, those products can be stored in your store, those kinds of advantages are there.

So, two topics that I was discussing. One is called a wheel of retailing and another is called scrambled merchandising. These are some of the things which are coming up in nowadays, but for a very long time there are different kinds of stores that are available and in the coming lecture we will discuss about that. Thank you very much. See you in the next lecture.