

Retail Management
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Lecture – 17

Web, Non Store-Based and Other Forms of Nontraditional Retailing - Continued

Hello everybody, welcome to this NPTEL Swayam course on retail management. This is Dr. Swagato Chatterjee from VGSOM, IIT Kharagpur who is taking this course for you. We are in week 3. This is lecture 17 and in this week we are discussing about non store-based retail or nontraditional retail. So, in the last video we were discussing about online retail stores and what are the various reasons why customers go to online retail stores? What are the various aspects that online retailer should remember?

What is the difference between mobile based and web based? And let us say if I consider app based, so these are the 3 three different types of retail stores, what is the difference between them? So mobile based will be let us say the same app, the same website will have a mobile version. Now the screen size of mobile is different than the screen size of an app or a tab. So if that is the case, then the probability that you will be able to show multiple products in an app or in our mobile based retail is something it becomes lower.

So that is why you mount to become much more targeted when you are going for mobile based retailing. You do not spread thin a lot. Because the view that is getting if one or two views or something like that if the consumers do not buy within that time period or within that frequency of views, then the chance that the customer will buy comes down. But mobile is something that we can access at any point of time, we carry a mobile phone.

So in app based or mobile phone base retelling, this is another advantage that you have that you can track the customer's behaviour, the off retail behaviour as well. So for example if somebody have installed the app, you can know the location and you can know the varied location in a mobile based retail, where it is only the website which has a mobile version, only when somebody visits that website you come to know the person's location, you can send certain push notification through the browser and etc.

But if it is an app-based retail, then you can send push notifications at any point of time because you know you can track the customer's location, you have access of what are the things that they are doing in the mobile phone, oftentimes customers share those kinds of information unknowingly. So, you can track the customers behaviour and you can send push notifications. You can send I would say different kind of nudge to make sure that the customer converts or the customer purchases.

So, while you cannot spread thin in case of mobile based retailing, you can be very targeted, you can keep on nudging a customer so that he converts ultimately. So, the way our web based online retail store will work and the way that online retail store which is mobile based will work is also different. We have to think about that, we have to contemplate about what is good and what is bad for my kind of product. Now here we were talking about omni channel retailing.

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Omni channel Retailing

- Seeks synergies among formats (get product information on Web, order through catalog, pick-up in store, use kiosks for out-of-stock merchandise)
- Retailer views each channel as creating value (immediacy of store, 24/7 of Web, long lasting impression of catalog)
- Channels are viewed as complementary, not competitive (Costco Web site vs. store)

What is omni channel retailing? So it seeks synergies among formats. For example, get product information from web, order through catalogue, pick up in store, use kiosks for out of stock merchandise. So, you have the various channels like the web is one channel, the catalogue is one channel and the store is one channel. So, you are using multiple channels. These people will use multiple channels to purchase the product.

So that is one way of doing this which is making synergies. Then retailers view each channel as creating value, each channel has different information. For example, why will you want to do information search in web because information is available in a very tabular format, in

very well-organized format in web. The more organized it is the more will be our tendency to go to web and search it.

So, an immediacy of the store, for example online retail store is immediate. You can actually access the store at any point of time. But if you want the product urgently you will not go to an online retail store, you will go to an offline retail store go there and buy. Long lasting impression of the catalogue. So if you have a catalogue which is defined as a product that is stored in the online retail store format that will have in your mind.

Similar thing if you want to go to a brick-and-mortar store and want to actually access the product, touch the product, try the product that will also have a long-lasting impact. So different aspects of different channels in the retail will have different impact on you, will create different kind of value for you and that is why we as customers want to mix and match. Online retailers should know about that and should enable us that we can do that mix and matching.

Channels are viewed as complementary, not competitive. So for example, Costco website and store or in our context let us say Decathlon website and store, so you will get a huge store of Decathlon, which is a sports retailer, but you will also get Decathlon's website where you can go and buy. So sports retailing is something whatever sports gears or sports, I would say, apparels or sports tools that you use has to be very personalized. It is your body, it is your fitness level, it is your goal, it has to be personalized towards that.

So often times the Decathlon store works like that. But you might not be able to go to Decathlon store every time. So, if you want to get value from home delivery, let us say it is not a product, you are loyal to Decathlon but it is not a product which has to be very much personalized towards you, then you can probably buy from online. So, availability of both online and offline stores sometimes becomes complementary, it should complement the another existence that you have, not competitive.

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Principles of Omni Channel Retailing

- Use same product identification in all channels
- Price goods the same in all channels
- Assess infrastructure economies. Direct marketer data base and delivery system.
- Cross promote goods across channels.
- Use suitable partners (Amazon to sell, Fedex to deliver)

What are the principles? Use same product identification in all channels so that one person who is well known to one particular product will actually get the product with the same name or the same views in some other channel as well so that the channel synergy should be there. Price goods the same in all channels. So even if your costs are different in different channels, you should have a similar price because otherwise the customers will feel that I am cheated.

Just because I am coming to a retail store, which is brick-and-mortar store you should not charge me high, why would are you charging me high? So that sense of justice gets lost when you price differently. Assess infrastructure economies. Direct marketer database and delivery systems. So for example you have to find out that what are the infrastructure that you have created which is creating value for you.

So for example, direct marketer database is something that helps a lot. If you can create such a database in an online format and then target the customers through e-mails, through SMS, through something else so that you can bring them back to your brick-and-mortar store and so that they purchase from there or vice versa that works a lot in an omni channel context. Cross promotion of goods across channels.

So let us say for example somebody has bought a TV, it is Croma let us say. It is an electronics retail store brick-and-mortar. So you have bought a TV there, now 2 years down the line you want the person who has bought the TV to buy an extended warranty. Now extended warranty how will you do that? You can call that person that is one way of doing

that you can call the person and actually say that you have bought it from my brick-and-mortar retail store, why do not you buy.

Customers will not buy. Instead of asking them in a call you can send them push notifications or you can send them e-mails which will direct them to your Croma ID again. So in that Croma there will be availability of this extended warranty which somebody can purchase as an add on. So, if somebody purchases 2 years down the line after the purchase of the TV from the brick-and-mortar retail store, if they go to your online retail store and purchase the extended warranty, then basically what you are doing is some types of cross selling.

You are selling the extended warranty through the information that you got because this person has bought the TV in your brick-and-mortar retail store. So that cross selling can happen a lot. Similarly, upselling can happen. You can ask the person to upgrade, so you can say. So it is very difficult for a person who have already bought a TV, to carry the TV to a Croma store and get it exchanged.

But you can tell that you keep the TV at your home and you order from Croma and we will exchange it and the exchange value the price will come down a little bit. So, a person who delivers will also change the technicalities of the TV and etc., and probably pick up. So the person who wants it is picked up from your home and then technicalities are checked of your old TV, a new TV will be delivered at your home, so that kind of opportunity can be created if you have a strong omni channel.

Use suitable partners in omni channel. Sometimes we do not have our own availability of setup, so sometimes we use other partners to do our omni channel. For example, Amazon is a platform, anybody can sell it on Amazon. So let us say if I am Himalaya and I do not have lots of Himalaya online retail stores which is working very strongly then I will rely on Amazon and sell my products through Amazon or Nykaa.

I will deliver, if I do not have my own delivery system, I will have a delivery partner which is FedEx let us suppose. So, these kinds of options can also be created by the multi brand companies when they are thinking about omni channel strategy.

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Nontraditional Retailing

- Nontraditional retailing includes hybrid formats that do not fit into store and nonstore-based categories to extend retailers' footprint :
 - Vending machines
 - Video kiosks
 - Airport retailing

Now, there are other kinds of retailing as well. So till now in the non-store based retailing, we talked about direct marketing and we talked about this clickstream or basically web based retailing. But there are various retailing techniques which is neither brick-and-mortar nor online which is something in between and these are called nontraditional retailing. Nontraditional retailing includes hybrid formats that do not fit into store and non-store-based categories to extend retailer's footprint. Some of the examples are like vending machines, video kiosks and airport retailing. You have all seen that, I will just quickly explain them.

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Vending Machines

- Vending machines are a cash- or card-operated retailing format that sells goods and services.
- Eliminates the use of sales personnel and allows 24-hour sales. Lowers costs and risks.
- Machines placed wherever convenient for consumers, but not for store.
- 95 percent of the \$50 billion in annual U.S. vending machine sales involve hot/cold beverages and food items.



These are vending machines. Vending machines are a cash or card operated retailing format that sells goods and service. You know what is a vending machine. The advantage is it is 24-7 available and lower costs and risks because there is no manpower involved and generally it is

kept in a I would say well-guarded area like it can be in a mall or it can be in a I would say some movie theatre or it can be in airport itself.

So, generally it is well guarded, so the chances of having a theft from this kind of facility is very difficult and also the machine is strong enough to ensure that the theft is not happening. And the costs are low because there is no manpower involved. You fill it up, every day you basically at particular time you change the inventory, this particular inventory can be kept for 30 days or 40 days or more. It is refrigerated items, so it can be stored for a long period of time.

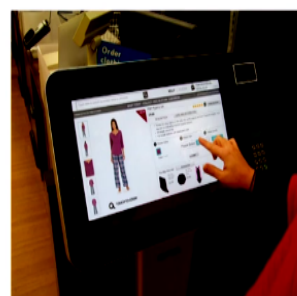
So those kinds of advantages are there. The disadvantages are majorly it can be only done for those kinds of products which are heavily moving, the frequently moving kind of a product. If some product has to be demonstrated, if some product has to be personalized that is not possible in this particular kiosk. Machines placed wherever convenient for consumers but not for store, so that is an advantage. So, you have to focus on the consumer convenience here.

So 95% of the 50 billion in annual U. S. vending machine sales involve hot or cold beverage and food items. So majorly it is used in food items, majorly cold basically, not even hot. So hot is also there, so like some tea and coffee, cappuccino, etc. will be sold, but majorly it is for cool products.

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Video Kiosks

- A video kiosk is a freestanding, interactive, electronic computer terminal that displays products and related information.
- Some kiosks are located in stores to enhance customer service; others let consumers place orders.
- There are 2.2 million video kiosks in use throughout the world, nearly 1 million of which are Internet-connected.



Then come the video kiosks. These are another kind of retail. Sometimes this video kiosk you find inside let us say an aeroplane, sometime we can find it inside airport as well. You can

also find it inside a retail store. A video kiosk is a free standing that means nobody is touching, it is standing on its own, interactive, it can connect with you, electronic computer terminal that displays products and related information.

Some kiosks are located in stores as I told to enhance customer service, others let consumers place orders. So sometimes you can just use these for cataloguing purpose to search what kind of products are available inside the store if it is a huge store and you become very confused with the products availability, you might search it there. Sometimes you can place order there as well. So different video kiosks might have different purposes.

So, these video kiosks can also be used for demo purpose. So, let us say you are trying to purchase a product which has to be self-fitted, do it yourself kind of a product. So, then these particular video kiosks also show the demo, the product descriptions, the customer testimonials, so it acts as an add on in a brick-and-mortar retail store so that the consumers buy. There are 2.2 million video kiosks in use throughout the world.

It is more, the number might get updated and nearly 1 million of which are internet connected, so you can access information about some other stores as well. So, if something is not available in the store, in which store it will be available or can I buy it and get it delivered at my home. So those kinds of advantages are there in video kiosks.

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Airport Retailing

- Large group of prospective shoppers
- Captive audience
- Strong sales-per-square-foot of retail space
- Strong sales of gift and travel items
- Difficulty in replenishment
- Longer operating hours
- Duty-free shopping possible



And the last one under the nontraditional retailing is called airport retailing. Airport retailing is generally done, it is a large group of prospective shoppers that they are available in airport.

The advantage of the airport is that see most of the travellers will be from upper middle class to upper class people. So, they are prospective shoppers. They have a huge amount of disposable income. They have free time as well.

So, while you are there in the airport, sometimes you have to wait for a longer period of time due to delay in the airport or due to various other reasons, so you have free time. But one disadvantage is that when consumers wait, if they are waiting and the flight got delayed, the customers are not happy basically as simple as that. So, there are two types of behaviour that customers show when they are not happy. One is the mood management behaviour.

So, they might go for shopping just to make sure that they become happy because right now they are not happy at all or otherwise it is also seen that if they are very unhappy, they will not purchase. So, as long as this delay or wait is expected wait you can target these customers and one way of doing it is getting associated with let us say lots of these airlines. So, you can have a tie up with the airlines or whenever there is a delay, if the delay is of let us say 1 hour or so you can use these airlines the customer phone number base because they have that.

The bookings have been done, they have the mobile numbers of all the customers you can send SMS or push notification to these mobile numbers that okay you have 1 hour delayed but we are giving 10% discount specifically for the customers in this particular airline in this particular flight. So, these kind of tie up can actually ensure that lots of unhappy customers just for their mood management or just for doing something in this free time they come for shopping. They come for at least viewing the products.

The audience is captive that is what I am saying because these guys have nowhere to go, they have to stay in the airport itself once they have checked in. So, the audience is captive, they are bound to see you and you can flash all your grandeur and that i's why you will see most of the airport retailers are very enlightening, the lighting, the view, the visuals of the particular retail store are superb because you know that the customers have to see you and if you do not do that your competitor will do that who is just standing beside you.

So, they will attract the customers by showing beautiful visuals and the customers are nowhere to go, they have to react to one or the other. So, if the audience is captive, it always is a competition between the retailers in terms of who will catch the attention of the

customers as much as possible. Strong sales per square foot of retail space. So, the retail space requirement is very low in general because lots of airports are big and retail spaces are available.

So if you want to sell thus you will get strong sales per square feet that means per volume or per area sales becomes very high. The margin is also kept very high because you are only targeting a captive at the same time with huge amount of disposable income customers. That is why what kind of sales happen in retail stores majorly? Gift and travel items. So people are traveling because that is why they will buy travel items.

And often times people are moving from one place to another to visit their family members or they are going for a business trip and they will come back. So, this people will go for gifts. So, small gift items where people are ready to pay a lot of margins which are (()) (20:08) products people will buy them. There is difficulty in replenishment. Longer operating hours that means generally it is not from let us say 9 am to 9 pm, sometimes it is 24-7.

So, those kinds of facilities are there and duty-free shopping possible. So, you can have tax benefits, customers can have basically tax benefits when they are buying it because they will get duty-free products which basically makes them buy a lot of products. Now, even here there are technology that is coming up. So, people are coming up with because see this is a particular store where people are ready to pay a lot of money when they are purchasing because of whatever reasons we discussed till now.

So, if they are paying money, the margin is high, you can put technology as well. So, to reduce the costs further, there are retail stores all over the world which are becoming human free means there is no person you have to pick up and so you will have to believe a little bit on the customers because of their disposable income is high, you might believe that they might not have a cheating behaviour and they are already in a secure location where being monitored 24 into 7 for security purpose of the airport itself.

So, you do not have to focus on the airport security anymore. So, anybody who is trying to do theft or something like that, trying to steal something he will be caught automatically. So, you have all the security managed by the airport itself, so you can have technology while

somebody will pick up the product, scan it in your software and if the money will be automatically deducted from their debit card or credit card and the purchase happens.

So, there is no need to put lots of personnel to manage these kinds of stores, so that is a huge advantage of having airport retailing which is a very successful nontraditional retail which is going on as well. So, there are three nontraditional retails that we talked about; vending machine, video kiosk, video kiosk is relatively new, we are still seeing that whether it will be very successful or not, but airport retailing and vending machines are very successful nontraditional retail stores or retailing techniques that is also available.

So that is all from me in week 3. We have discussed about different kinds of retail formats. Summary will be that we started with food. Then we talked about general merchandise, both brick-and-mortar retail formats. Then we talked about non-store-based, there we talked about direct marketing and we talked about web based retail formats. And now I talked about three nontraditional retail formats. So, these are different kinds of retail formats that you can choose.

Depending on what kind of products you are selling, who is your customer, what kind of sites are available, etc., we can decide upon the format that I want to choose. In the next week, we will discuss about customer behaviour and location and location choice or location analytics about retail. And that is all from me for week 3. Thank you very much. I will see you in week 4.