

RETAILING

1ST Edition

Hafizah Binti Hussin
Mohd Razali Bin Hasam

RETAILING

1st Edition



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Writer

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Published in 2021

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Perpustakaan Negara Malaysia

Cataloguing-in-Publication Data

Hafizah Hussin

RETAILING / HAFIZAH BINTI HUSSIN, MOHD RAZALI BIN HASAM. – 1st Edition.

Mode of access: Internet

eISBN 978-967-2241-87-4

1. Retail trade.
2. Store location.
3. Government publications--Malaysia.
4. Electronic books.

I. Mohd Razali Hasam. II. Title.
658.87

Published by:

Politeknik Merlimau, Melaka

KB1031 Pej Pos Merlimau,

77300 Merlimau Melaka

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ACKNOWLEDGEMENT

Alhamdulillah, thank God Almighty Allah SWT for enabling us to complete this book. One of the most pleasant parts of writing this book, Retailing, is the opportunity to thank and benefit from the results of the efforts of many people, we would like to thank Unit of e-Learning for encouraging us to produce this piece of work. We were also indebted to the director of Politeknik Merlimau for his support which had inspired me to put in my best effort.

Our first thanks must go to Puan Haniza Binti Baharom as Head of Commerce Department for her dedication and encouraging us to complete this book. We would like to thank Nazila Binti Adip and Halizah Binti Alwi for their professional guidance and reference on this book.

We would like to express our gratitude to the many people who saw us through this book; to all those who provided support, talked things over, read, offered comments, allowed us to quote their remarks and assisted in the proofreading and design. Without support and patience, this text would probably have not been published. A final note of appreciation goes to our family members who helped to organize and type the manuscript.

Thank you.

Hafizah Binti Hussin,
Mohd Razali Bin Hasam

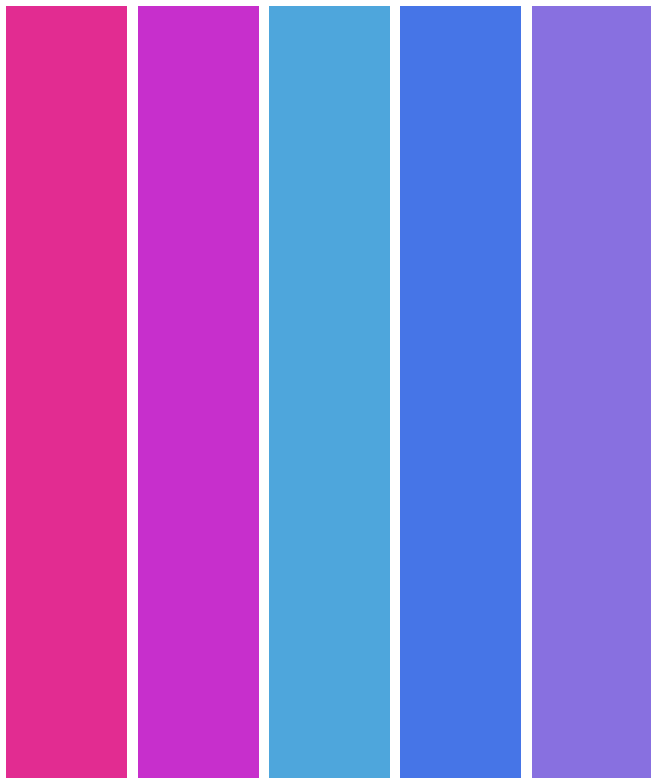
PREFACE

Retailing is written of the highest quality to introduce the field or retail management to readers interested in this field. This book provides an opportunity for students, businessman, marketers, individuals, institutions, and firms to be familiar with retail texts as well as increase their knowledge in the area of principles of retailing

This book also was published with intended for multiple users especially marketers, students, individuals, companies, and institutions of education in helping them understanding about the environmental of retailing. It was arranged in the best design to make it easier for users to study retailing as set forth in the learning objectives.

This book focuses on introduction to retailing which also includes topics such as functions and impacts of advertising, creative process, retailing media and business of retailing itself. The topics also cover some area of rules and regulations in retailing. I really hope that this book will be a good learning aid for readers.

BRIEF



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- 1** Overview of Retailing
- 2** Types of Retailers
- 3** Retail Location
- 4** Store Management

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1

**OVERVIEW OF
RETAILING**



1.1 DEFINITION OF RETAILING

Retailing – a set of business activities that adds value to the products and services sold to consumers for their personal or family use.

Retailer - a business that sells products and/or services to consumers for personal or family use.

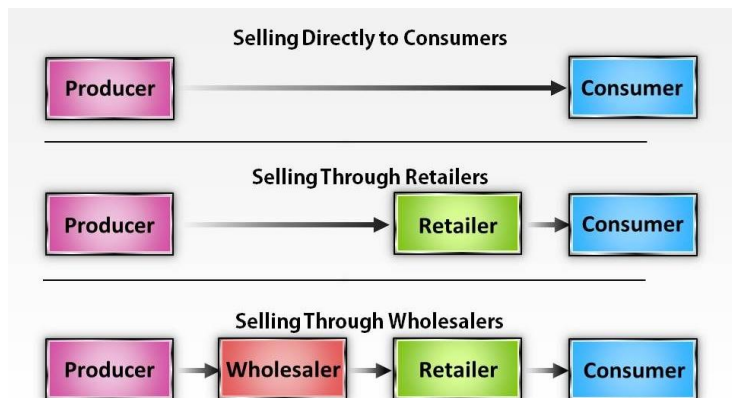


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1.2 ROLES OF RETAILING

1. Providing wide assortments of products and services

- ✚ Customers can choose from a variety of brands, designs, sizes, colors, and pricing when you offer an assortment of items or services.

2. Bulk breaking

- ✚ Distributors or wholesalers deliver goods in bulk to retailers, who then break them down.
- ✚ It entails breaking down a huge group into smaller ones.
- ✚ Retailers sell the items in lesser quantities to cater to the preferences of individual customers and homes.

3. Stocking inventory

- ✚ Retailers must keep inventory on hand so that their merchandise is available when customers wish to buy it.
- ✚ Inventory management is critical for retailers to plan and manage their supply, as well as to ensure that stock is available for replenishment on store shelves.

4. Providing services / extending other services

- ✦ Customers' requirements are met by retailers, who deliver products and services when and when they are required.
- ✦ Other services provided by retailers include specialized product display and demonstration, information, after-sales assistance, product financing, and parking.
- ✦ Consumers benefit from conveniences like delivery, gift wrapping, and extended store hours, among others.

5. Increasing the value of products and services

- ✦ Retailers boost the value consumers obtain from their products and services through providing assortments, breaking bulk, storing inventories, and giving services.
- ✦ Retailers can offer competitive price because they can sell their products and services in smaller amounts, which are less expensive for the client than buying in bulk.
- ✦ Retailers use sales promotions to influence what consumers buy and consume by alerting them about the availability of new and improved products and pushing them to buy and consume them.
- ✦ For example, the home renovation center assists the consumer in choosing a door by exhibiting doors for inspection prior to purchase.

6. Risk taking

- ✦ Retailers also take on the risk of owning product that may become outmoded or deteriorate over time.
- ✦ This is particularly true when it comes to perishable commodities.

7. Creating place utility

- ✦ The physical gap between the location where a product is made and the location where it is eventually consumed is bridged by place utility.

- ✚ The retailer's role as the consumer's final point of contact determines the usability of a location.
- ✚ As an intermediary, retailers make the ordering and payment processes easier for customers, saving them time and effort.

1.3 FOUR THEORIES USED TO EXPLAIN THE EVOLUTION OF RETAILING

1. The Wheel of retailing Theory

- ✚ It entails breaking up a huge group into smaller groups. The retailing wheel is a notion that describes the phases that some retail stores go through over their lifespan. It describes the transformation of a tiny inexpensive store into a high-end establishment.

The wheel of retailing diagram is divided into four segments, which represent the phases described below:

- **Phase 1** – A new retailer with a relatively low reputation offers its items and services at a low price to attract customers and build a client base.
- **Phase 2** – As the company gains traction, they upgrade their facilities and gradually start increasing their prices.
- **Phase 3** – The company has now built a solid reputation and begins to offer more variety while continuing to operate at higher margins with even higher-priced services.
- **Phase 4** – A new competitor enters the market with the same characteristics as phase 1 (i.e. low-costs and low-margin).

As a result, the existing business is forced to reduce its prices to earlier levels in order to remain competitive. The company is now considered to have completed the 'wheel of retailing'.

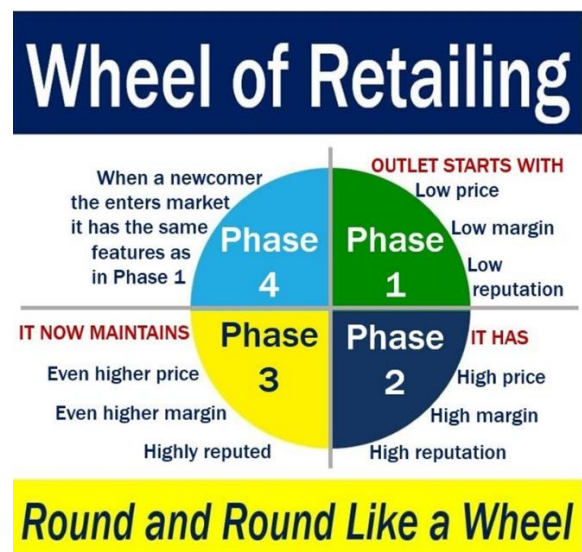


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2. Retail Accordion Theory

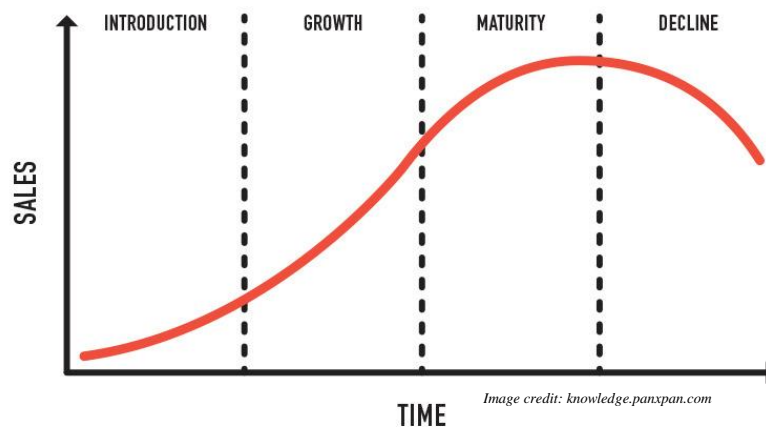
- ✚ It entails dividing a huge group into smaller groups.
- ✚ The retail accordion theory was created to describe how retailers determine the number and type of product categories they will sell, based on the notion that businesses will move from general goods to more specific products, and then back to general goods.
- ✚ During the early phases of establishment and retail, retail businesses would stock a diverse selection of products to meet the needs of various consumer categories.
- ✚ As the retail industry develops, so does the number of specialists vying for customers' attention. However, as time goes on, this trend of specialization may change back to generalization.

Retail Accordion Theory



3. Retail Lifecycle Theory

- ✚ This theory is based on the general product lifecycle theory, and it assumes that retail outlets would go through a lifecycle, beginning with development and progressing to growth, which can be separated into early and later stages, with the possibility of an accelerated growth stage.
- ✚ The firm then reaches maturity, which may be followed by decline or a renewal, or the lifecycle may be restarted.
- ✚ The retail life cycle of Pirate Coffee (Malaysia) is an example.



Retail Life Cycle

4. Resource-Advantage Theory (R-A Theory)

- ✚ A general theory of competition that describes the process of competition is resource-advantage theory.
- ✚ Firms and resources are posited as heritable, enduring selection entities in R-A theory, and the evolutionary selection process is based on competition for comparative advantages in resources.

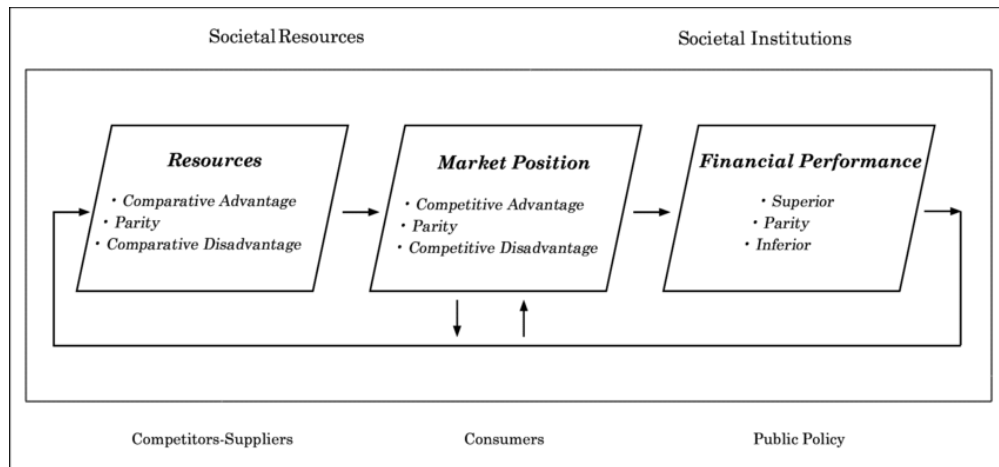


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1.4 RETAIL ENVIRONMENT

Micro Environment Factors	Macro Environment Factors
Customers Competitors	Technological Social Ethical/legal/political

1. Micro Environment Factors

Customers

✚ Individuals and families who purchase goods and services for personal consumption are referred to as consumer markets. The Lifestyle And Demographics Of The Consumer:

a) Demographic - segmenting the market by age, gender, income, education, occupation, race, religion, and family size. The most widely used criteria for consumer segmentation. Demographic characteristics have a strong impact on consumer demands, wants, and consumption rate.

b) Lifestyle - the process of breaking down each customer's information into smaller categories. The data relevant to each and every consumer is used to create these sub-groups. These groupings are made up of customers' preferences, likes, and dislikes. Customer lifestyle segmentation data can aid the marketing team in gaining a thorough understanding of the customer's needs, preferences, and preferences for new products.

Competitors

- ✦ The company must outperform competitors in terms of consumer value and happiness, differentiate its products and services from those of competitors, and comprehend competitive strengths.
- ✦ There is no one-size-fits-all competitive marketing approach that can be applied to all businesses.
- ✦ Each company should evaluate its own size and position in the industry in comparison to its competitors. To go ahead of the competition, there are three (3) options: Spend less on advertising and more on providing exceptional customer service.

2. Macro Environment Factors

Technological

- ✦ Forces that develop new technologies, as well as new products and market prospects both on and off the internet marketers must be aware of the rapidly changing technical landscape and how new technologies can be used to meet human needs.
- ✦ To encourage more market-oriented research, they must collaborate closely with R&D.

Social

- ✦ Consumer purchasing decisions are heavily influenced by social influences.
- ✦ These are the effects of people and groups affecting one another through the following mechanisms: (i) culture and subculture; (ii) socioeconomic status; (iii) peer groups; (iv) family.

Ethical/legal/political

- ✦ Laws, government bodies, and pressure groups that affect or limit marketing actions make up this category.
- ✦ Almost all marketing activities are governed by a variety of rules and regulations. Retailers' unethical behaviors towards customers include the following: (i) charging full price for a sale item without the customers' awareness. (ii) Don't tell a consumer the whole truth about a product's characteristics.

TUTORIAL EXERCISE



Multiple Choice Questions

1. Which statement concerning retailing is correct?
 - A. Retailing involves only the sale of tangible goods.
 - B. Retailing is the initial stage in the distribution process.
 - C. Manufacturers and wholesalers are acting as retailers when they sell goods and services to final consumers.
 - D. Retailing must involve the use of a store.
2.
 - *Retailers need to stock inventory so that their merchandise remains available when consumers want to make a purchase.*
 - *Inventory management is important for retailers to plan and manage their stocks and allows for stock to be ready for replenishment at store shelves*

Statements above refer to...

- A. Stocking inventory
 - B. Increasing the value of products and services
 - C. Bulk breaking
 - D. Providing wide assortments of products and services
3. Which statement concerning a retailer's function in distribution is not correct?
 - A. Retailers collect assortments of goods and services for sale to institutional markets.
 - B. Retailers enable customers to undertake one-stop shopping.
 - C. Retailers provide information for channel members.
 - D. Retailers store, mark, and advertise merchandise.
 4. The sorting process refers to:
 - A. grading commodities such as vegetables
 - B. scrambled merchandising
 - C. the arrangement of goods by size in a store
 - D. a retailer's collecting an assortment of goods from various sources, and selling in small amounts

5. Channel relations are usually smoothest when what type of distribution is involved?
- A. intensive
 - B. exclusive
 - C. selective
 - D. voluntary
6. • *Place utility is bridging physical distance that exists between the location where the product is manufactured and the location where the product is eventually consumed.*
- *Retailer as final contact point with consumer creates place utility.*
 - *The retailers as an intermediary, facilitate routine of ordering and payment, leading to saving of time and efforts of the shoppers.*

Statements above refer to...

- A. Stocking inventory
 - B. Increasing the value of products and services
 - C. Risk taking
 - D. Creating place utility
7. Which channel arrangement usually maximizes suppliers' sales?
- A. Intensive
 - B. Exclusive
 - C. Selective
 - D. voluntary
8. This theory also known as a general theory of competition that describes the process of competition. For R-A theory, both firms and resources are proposed as the heritable, durable entities of selection, and competition for comparative advantages in resources constitutes the evolutionary selection process.
- A. Retail Lifecycle Theory
 - B. The Wheel of retailing Theory
 - C. Resource-Advantage Theory
 - D. Retail Accordion Theory
9. The retailing concept:
- A. is used by all retailers
 - B. focuses on a firm's competitive advantages
 - C. ignores customer needs
 - D. can be adopted fairly easily by a retailer
10. This theory also known as a general theory competition that describes the process of competition. For R-A theory, both firm and resources are proposes as the heritable, durable entities of selection and competition for comparative advantages in resources constitutes the evolutionary selection process.
- A. Retail Lifecycle Theory
 - B. The Wheel of Retailing Theory
 - C. Resource - Advantage Theory
 - D. Retail Accordion Theory

True False Questions

1. Retailing is a set of business activities that adds value to the products and services sold to consumers for their personal or family use [True / False]
2. The Wheel of retailing Theory refers to concept was developed in repose to weaknesses in the wheel of retail model; the focus on costs and overcome the weakness of the accordion theory which focuses on merchandise/goods. [True / False]
3. "Retail accordion theory was developed to explain the way retailers choose the number and type of product categories they would retail, with the hypothesis that firms would go through a cycle of from general goods, towards more specific products, and then back to general goods again" [True / False]
4. The wheel of retailing diagram is divided into FOUR segments [True / False]
5. Retailing is the last stage in a channel of distribution. [True / False]
6. The sorting process enables manufacturers to become more efficient and consumers to conduct one-stop shopping. [True / False]
7. Channel relations are usually the smoothest when exclusive distribution is involved. [True / False]
8. Channel relations are generally the most volatile with intensive distribution. [True / False]
9. All elements of the total retail experience are controllable by the retailer. [True / False]
10. Customer service refers to both tangible and intangible activities undertaken by a retailer in conjunction with the basic goods and services it sells. [True / False]

2

TYPES OF RETAILER



2.1 RETAILERS CHARACTERISTICS



Types of
merchandise
sold



Variety and
assortment of
merchandise



Service
offered



Price and
cost

1. Types of merchandise sold

- In order to collect statistics on Malaysia's economic activity, a classification scheme called the Malaysia Classification of Industry Standard (MCIS) 2000 was devised.
- The classifications for merchandise sellers are based primarily on the sort of item sold.

Category	Division	Group	Description
G	51		Wholesale trade and commission trade, except for motor vehicles and motorcycles
		511	Wholesale trade and commission trade, except motor vehicles and motorcycles
		512	Wholesale of agricultural raw materials, live animals, food, beverages and tobacco
		513	Wholesale of household goods
		514	Wholesale of machinery, equipment and supplies
		515	Other wholesale

Category	Division	Group	Description
G	52		Retail trade, except for motor vehicles and motorcycles, repair of personel and household goods
		521	Non-specialized retail trade in stores
		522	Retail sale for food, beverages and tobacco in specialized stores
		523	Other retail trade of new goods in specialized stores
		524	Retail sale of second hand goods in stores
		525	Retail trade not in stores
		526	Repair of personel and household goods

2. Variety and assortment of merchandise

- ✚ Retailers may sell the same items, but the variety and assortment of merchandise available may vary.
- ✚ A retailer's variety refers to the amount of distinct product categories available.
- ✚ In a merchandise category, assortment refers to the quantity of distinct items available.

3. Service offered

- ✚ Customers are also served differently by different retailers. Almost all customers expect retailers to provide specific services, such as:

Displaying merchandise
 Accepting credit cards
 Providing parking
 Convenient operating hours
 Members privilege
 Gift wrapping



Online grocery shopping
Home delivery



4. Price and cost

- ✚ It entails breaking down a huge group into smaller ones. The retailing wheel is a notion that describes the stages that some retail stores go through throughout the course of their lives.
- ✚ It describes the transformation of a tiny bargain store to a high-end establishment in particular. Customers like IKEA Malaysia's home furnishing choice, but it's expensive for merchants to have such a large and diverse selection.
- ✚ Similarly, services draw customers to a store, but they are also expensive. The majority of employees must be compensated for providing knowledge and assistance to clients, as well as modifying things to match their needs and demonstrating merchandise. toilets, dressing rooms, and child care facilities all take up a lot of space.

2.2 TYPES OF STORE RETAILING



1. Food Retailers

Convenience stores

- ✚ Modernized replicas of mom-and-pop shops in the neighborhood.
- ✚ In a 3000 to 5000 square foot store with a quick checkout, in a convenient location (near residential areas).
- ✚ Allow customers to make purchases without having to scour a huge store or wait in a long checkout line.
- ✚ Small self-service stores with extended hours of operation.
- ✚ Carry a limited range of products, mainly convenience items with a high turnover rate. To compensate for increased running costs and lesser sales volume, it frequently charges high pricing.

Supermarkets

- ✦ A traditional supermarket is a big self-service retail food shop that sells groceries, meat, and vegetables, as well as non-food items like health and beauty aids and general commerce.
- ✦ Perishables, such as meat and dairy products, account for over 54% of grocery sales and have larger profit margins than packaged items. Approximately 30,000 SKUs are available in traditional supermarkets.

Supercenters

- ✦ Food stores' fastest-growing segment Stores that combine a supermarket and a full-line discount store, ranging in size from 160,000 to 200,000 square feet.
- ✦ Provide a one-stop shopping experience by selling a diverse range of groceries and general commerce products under one roof.
- ✦ When clients' primary motive for visiting a supercenter / hypermarket is to buy groceries, general merchandise (non-food products) is frequently purchased on impulse. They provide self-service and are housed in a warehouse-style structure with ample parking.

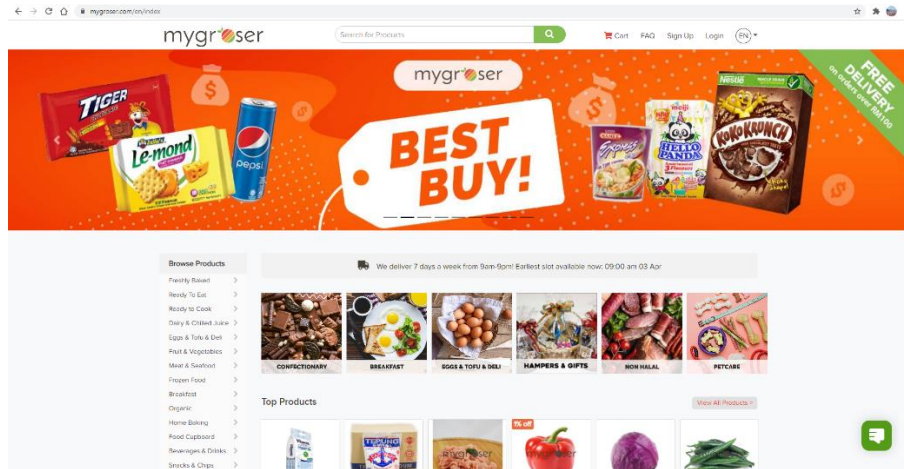
Warehouse clubs

- ✦ A big (about 100, 000 to 150,000 square feet) located in low-rent areas.
- ✦ The interiors are modest, with concrete floors. Offer a sporadic and limited selection of food and miscellaneous items.
- ✦ Warehouse clubs are able to offer inexpensive costs because they make use of the following: (i) Low-cost location (ii) Low-cost store design (iii) Limited selection of fast-moving items

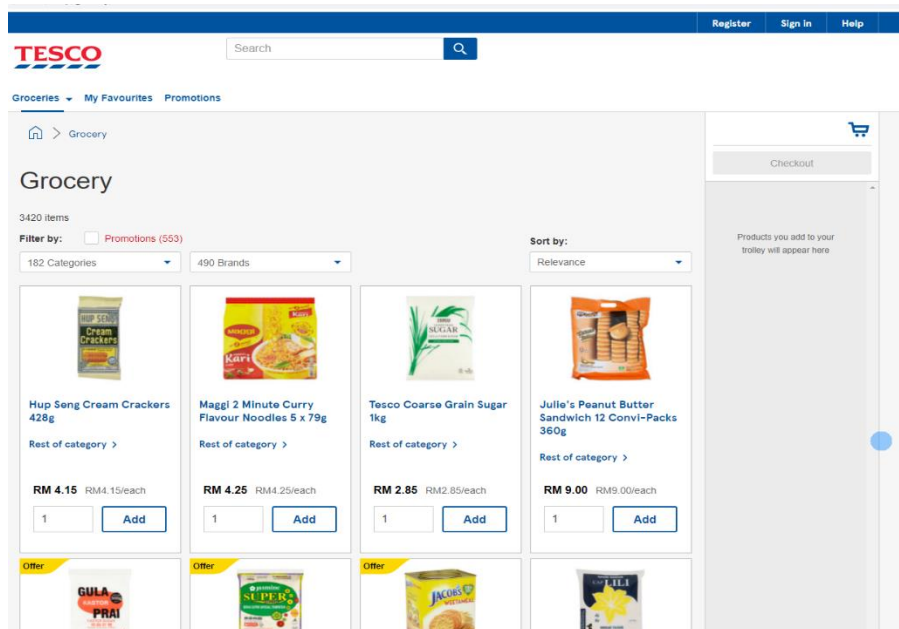
Online Grocery Retailers

- ✦ Online grocery shopping is a new approach to get your hands on the groceries you want for your home.
- ✦ Online grocery shopping is growing market share in Malaysia's food retail industry as a result of today's technological advancements.

- MyGroser, HappyFresh, Tesco Online, and Mydin Online are examples of local online grocers providing delivery services.



Credit image: <https://mygroser.com/en/index>



Credit image: <https://tesco.com.my>

2. General Merchandise Retailers

Department stores

- ✦ Department stores are huge merchants that stock a wide range of products, including clothing, home furnishings, electronics, furniture, cosmetics, and household goods.
- ✦ Merchandise is displayed in various departments that are organised into separate departments. Rather than having a single central checkout area, sales are made within each department.
- ✦ Customers are attracted to department shops because they provide: (i) a pleasant atmosphere (ii) attentive service (iii) a wide choice of items under one roof. They marketed soft goods (non-durable or consumable goods with a short shelf life, such as cosmetics, apparel, and bedding) as well as hard goods (made objects with a long shelf life).
- ✦ Department stores are divided into three (3) categories:

The first tier

Upscale, high fashion chain with exclusive designer merchandise and excellent customer service

The second tier

Retailers sell more modestly priced merchandise with less customer service

The third tier

Value oriented tier that caters to more price-conscious consumers



Credit image: <https://lion.com.my>

Full-Line discount stores

- ✚ Discount stores, often known as discounters or discount houses, sell a wide range of commodities, primarily consumer goods, at extremely cheap rates and with little service.
- ✚ The goal is to attract a larger number of customers and sell more products. A wide range of items is available, including private labels and national names.
- ✚ Product quality ranges from fair to excellent. Items that aren't as trendy The environment is average, and the services are basic.

Specialty stores

- ✚ A store that sells things that are unique and specialized. It is focused on selling a specific brand or type of product.
- ✚ Specialty stores focus on a small number of related product categories and deliver excellent service.
- ✚ By providing a broad assortment but limited variation and sales associate experience, specialty retailers tailor their retail strategy to extremely specific market niches. The product line is not long, but it goes deep.



Credit image: <https://www.international.tiffany.com>



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Drugstores

- ✚ Pharmacy is another name for a pharmacy.
- ✚ Stores that specialize on health and personal grooming products, such as vitamins, treatment oils, and toiletries.
- ✚ Pharmacists are available to provide advice and distribute regulated and doctor-prescribed medications.



Credit image: <https://www.capitaland.com.my>



Credit image: <https://www.alpropharmacy.com>



Credit image: <https://www.watsons.com.my>

Category specialist

- ✚ Big box stores that specialise in a small range of products are known as category merchants.
- ✚ Although most category retailers employ a self-service strategy, they do provide assistance to clients in some sections of the shop.
- ✚ IKEA, for example, sells furniture based on do-it-yourself (DIY) ideals.

Extreme value retailers

- ✚ Small cheap stores that sell a wide range of domestic items, health and beauty care (HBC) products, and consumables in a limited assortment.
- ✚ Value stores cater mostly to low-income customers.
- ✚ These customers desire well-known brands but can't afford the huge bundles that full-line discount stores and warehouse clubs offer. Munchy's and Mahsuri, for example, frequently make customised, compact packages for discount merchants.

Off-price retailers

- ✚ Manufacturers or retailers own outlet stores, which are off-price retailers.
- ✚ Factory outlets are those that are owned by manufacturers. Outlet stores are seen by manufacturers as a way to increase revenue from irregulars, production overruns, and products returned by retailers.
- ✚ For instance, in Johor Premium Outlet, you may find Adidas, Puma, and Nike outlet stores (JPO)



3. Non-Store Retailing

In-store retailing

- ✦ Vending/Vending Machine Retailing - A vending machine, also known as an automated retailing machine, is a type of retail outlet in which merchandise is held in a machine and distributed to clients when they deposit cash or a credit card. Vending machines are usually positioned in high-traffic areas that are handy for customers.

Internet retailing

- ✦ Retailers engage with customers over the internet, whether they use a desktop or laptop computer, a tablet of various sizes, or a smartphone.
- ✦ Many merchants use the internet to increase their ability to service clients and gain a competitive advantage in a variety of ways: Personalization Expanded market presence, Information to improve shopping experience across channels, Deeper and broader selection, More information for evaluating merchandise, Personalization Expanded market presence, Information to improve shopping experience across channels.



Credit image: <https://www.neolofarandmore.com>

Mobile retailing

- ✚ The mobile platform. Mobile retailing, mobile commerce, and m-commerce are other terms for the same thing.
- ✚ Because of the rapid expansion of domestic and international internet access via handheld devices like tablets and cellphones.
- ✚ Customers may simply carry the gadgets in their purses or pockets and visit retail sites from anywhere because they are more portable and feature a smaller display.

Social retailing

- ✚ S-retailing is another term for it.
- ✚ It entails making purchases through a social media platform.
- ✚ 'Buy buttons' have been inserted into social media powerhouses such as Twitter, Instagram, and Facebook pages, allowing users to click on a featured post or photo to commence a sales process.



Catalog and other non-store channel

- ✚ A non-store retail channel in which customers are informed about a retail offering through a catalogue that is mailed to them.
- ✚ Drugs, cosmetic aids, computers, software, apparel, accessories, furniture, and housewares are the merchandise categories with the highest catalogue sales.
- ✚ Customers will profit from the catalogue because it will provide them with safety and convenience.







✚ Other non-store channel : Direct selling

- Direct salespeople illustrate the benefits of a product or explain a service, accept orders, and deliver the product.
- A retail channel in which salespeople connect with customers in a convenient place face to face.



Quality Challenging
 Money Work Rewarding
 Opportunity Difficult
 Interesting
 Flexibility Comfortable Satisfaction
 Contact Funny Independence Social
 Freedom Commitment Profitable Easy Fun

2.3 DIFFERENCES BETWEEN SERVICES AND MERCHANDISE RETAILERS

 <h3>Intangibility</h3> <ul style="list-style-type: none"> • Merchandise retailers sell tangible product • Services retailers sell intangible product - cannot be seen, tasted, felt, heard, or smelled before purchase. • Challenges : difficult to evaluate quality and performance 	 <h3>Simultaneous production and consumption</h3> <ul style="list-style-type: none"> • Merchandises are typically made in a factory, stored and sold by a retailer - then used by consumers in their homes • Services providers - create and deliver the services as the consumer is consuming it at the same time 	 <h3>Perishability</h3> <ul style="list-style-type: none"> • Merchandises can be held in inventory until a customer is ready to buy. • Services are perishable - cannot be saved, stored for later sale or use (No inventories) • Once an airplane takes off with an empty seat - the sale is lost forever 	 <h3>Inconsistency of the offering to customers</h3> <ul style="list-style-type: none"> • Services are performances produced by people (employees and customers) - Inconsistency of the offering to customers • Services quality are beyond the control of retailers
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2.4 OMNICHANNEL RETAILING VS MULTICHANNEL RETAILING



1. Multichannel Retailing

- ✚ Customers can buy and receive items and services from retailers through a variety of channels.
- ✚ Channels don't work together because their operations aren't linked. Almost all significant retailers have storefronts that are multichannel merchants with physical locations, an online channel that allows customers to purchase items or services by visiting their website, and possibly catalogue orders.

2. Omnichannel Retailing

- ✚ An omnichannel strategy to commerce is a completely integrated approach to shopping that gives customers a consistent experience across online and offline channels.
- ✚ True omnichannel shopping encompasses everything from in-store shopping to smartphone browsing, e-commerce marketplaces, onsite shops, social media, remarketing, and everything else in between.

TUTORIAL EXERCISE



Discussion

Omnichannel retailing refers to transacting across multiple channels, which may include marketplaces, social channels, in brick-and-mortars and more. Omnichannel has become a popular buzzword, but it's not just another way of saying that you sell on multiple channels. Let's look at the sometimes-subtle differences among omnichannel, multi-channel and single-channel commerce.

In short, the acceleration in consumer behavior change in 2020 has made an omnichannel strategy more important than ever. In research conducted by BigCommerce and Retail Dive in 2020, 46% of retail executives said they planned to increase their investment in omnichannel retailing moving forward, compared to their plans prior to COVID-19.

Why? As Andrew Lipsman wrote in a May 2020 report on Frictionless Commerce: "The timeless truths of retail are that consumers will always want better prices, selection and convenience. With the internet having already driven major progress on the first two customer needs, attention is now turning to convenience."

Ultimately, an omnichannel strategy can help drive increased sales and revenue. An eMarketer report found that streamlined digital experiences, curbside pickup and touchless checkout contributed to increased shopping frequency and incremental sales.

Based on the statement above, discuss what factors that make omnichannel so valuable.

3

RETAIL LOCATION



3.1 WHY IS STORE LOCATION IMPORTANT FOR A RETAILER?



- ✚ In most cases, the location of a store is the most important factor in a customer's decision.
- ✚ Location selections are strategic because they can aid in the development of a long-term competitive advantage.
- ✚ Investing or leasing a location is a risky decision

3.2 TRADING AREA ANALYSIS

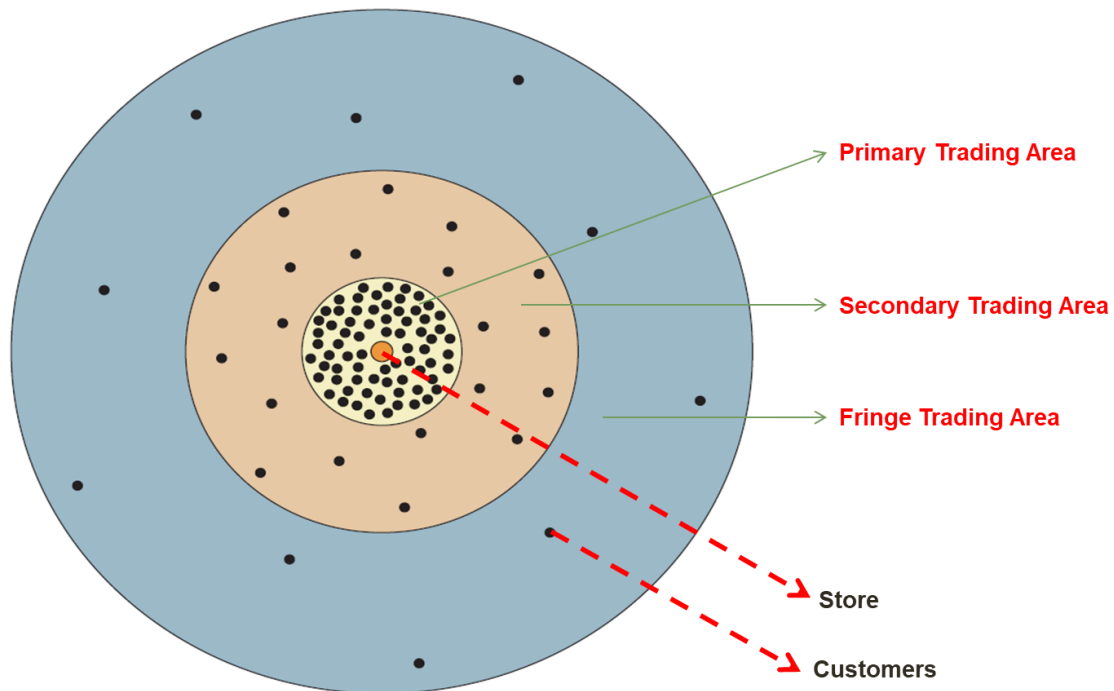
Definition Trading Area Analysis

- ✚ A trade area is a geographical area that contains the clients of a single firm or a group of firms for a certain good or service.

Trading Area Analysis

The size and shape of trading area

The primary trading area	The secondary trading area	The fringe trading area
<ul style="list-style-type: none">• It is the area nearest to the store with the highest density of customers to population and the highest per capita sales.• It encompasses 50 to 80 percent of a store's customers.	<ul style="list-style-type: none">• It is located beyond the primary area and clients are more widely spread.• It contains an additional 15 to 25% of a store's customers.	<ul style="list-style-type: none">• The remaining clients, who are the most widely spread; some customers travel significant distances to shop at a specific store.



Credit image: <https://www.slideshare.net/Aamirchouhan/trading-area-analysis>

Factors to consider in evaluating retail trading area

Population Size and Characteristics	<ul style="list-style-type: none"> • Total size and density • Age distribution • Average educational level • Percentage of residents owning homes • Total disposable income • Per capita disposable income • Occupation distribution • Trends
Availability of Labor	<ul style="list-style-type: none"> • Management • Management trainee • Clerical
Closeness to Sources of Supply	<ul style="list-style-type: none"> • Delivery costs • Timeliness • Number of manufacturers • Number of wholesalers • Availability of product lines • Reliability of product lines
Economic Base	<ul style="list-style-type: none"> • Dominant industry • Extent of diversification

	<ul style="list-style-type: none"> • Growth projections • Freedom from economic and seasonal fluctuations • Availability of credit and financial facilities
Competitive Situation	<ul style="list-style-type: none"> • Number and size of existing competition • Evaluation of competitor strengths & weaknesses • Short-run and long-run outlook • Level of saturation
Availability of Store Locations	<ul style="list-style-type: none"> • Number and type of store locations • Access to transportation • Owning versus leasing opportunities • Zoning restrictions • Costs • Reliability of product lines
Regulations	<ul style="list-style-type: none"> • Taxes • Licensing • Operations • Minimum wages • Zoning
Promotion facilities	<ul style="list-style-type: none"> • Availability and frequency of media • Costs • Waste

3.3 TYPES OF LOCATION

1. Unplanned retail location

- ✚ Unplanned location: no centralized management chooses whether stores will be included in a development, where they will be located, or how they will be operated.

Freestanding Sites

- ✚ Retail locations for a single, standalone store that is not connected to other stores, but may be near other freestanding stores or a shopping mall.

✚ Advantages :

- Consumers' convenience (easy access and parking)
- significant vehicular traffic and visibility to entice customers to drive
- fewer restrictions on signs, hours, and merchandise merchandise.

✚ Disadvantages:

- If there are no other neighboring stores to entice clients, the trade area may be limited.
- Occupancy expenses are typically greater than in shopping malls.
- Pedestrian traffic is often light.

Unplanned Business Districts

- ✚ A retail site where two or more stores are located together or in close vicinity in such a way that the entire arrangement is a mix of retailers is not due to adequate long-term planning is known as an unplanned business district.
- ✚ Stores make decisions based on what is best for them rather than what is best for the district.
- ✚ Unplanned business districts can be divided into four categories:

Central business district (CBD)	<ul style="list-style-type: none">• CBD is the hub of retailing in a city.• It is synonymous with the term <i>downtown</i>.• The CBD exist where there is the greatest density of office building and stores.• Both vehicular and pedestrian traffic are very high.• The core of a CBD is often no more than a square mile, with cultural and entertainment facilities surrounding it.• The CBD has at least one major department store and a number of specialty and convenience stores.• The arrangement of stores follows no pre-set format; it depends on history (first come, first located), retail trends, and luck.
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Secondary business district (SBD)	<ul style="list-style-type: none"> • SBD is an unplanned shopping area in a city or town that is usually bounded by the intersection of two major streets. • Cities-particularly larger ones-often have multiple SBDs, each at least a junior department store (a branch of traditional department store) and some larger specialty store-besides many smaller stores.
Neighborhood business district (NBD)	<ul style="list-style-type: none"> • NBD is an unplanned shopping area that appeals to the convenience shopping and service need of a single residential area. • NBD contains several small stores, such as a dry cleaner, stationary store, a beauty salon and a restaurant. • The leading retailer is typically a supermarket or a large drugstore. • It is situated on the major streets of its residential area
String	<ul style="list-style-type: none"> • String is an unplanned shopping area comprising a group of retail stores, often with similar or compatible product lines, located along a street or highway. • Little extension of shopping onto perpendicular streets. • A string may start with an isolated store, success then breeding competitors. • Car dealers, antique stores and apparel retailers often situate in strings.

2. Shopping centers

- ✚ A planned shopping centre is a collection of visually united commercial businesses on a single site that is centrally owned or managed, built and operated as a unit, with balanced tenancy and parking.
- ✚ The trading region served determines the location, size, and mix of establishments.
- ✚ The retailers in a planned shopping centre complement each other in terms of quality and variety of product offers, and the kind and number of stores are related to total population demands through balanced tenancy.
- ✚ To ensure a well-balanced tenancy, a planned center's management normally specifies the proportion of total space allotted to each type of retailer, limits the product lines that each store can sell, and limits the types of businesses that can purchase unexpired lease.
- ✚ A planned shopping mall might be one of three (3) types:

Regional shopping center	<p>A regional shopping center is a large, planned shopping facility appealing to a geographically dispersed market.</p> <p>It has at least one or two department stores (each with a minimum of 100,000 sf) and 50 to 150 or more smaller retailers.</p>
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	<p>It offers a very broad and deep assortment of shopping-oriented goods and services intended to enhance the consumer's visit.</p> <p>The market is 100,000++ people who live or work up to a 30-minute drive away. On average, people travel less than 20 minutes.</p> <p>Frequently, it is used as a town plaza, a meeting place, a concert hall and a place for a brisk indoor walk.</p> <p>One type of regional center is the megamall. An enormous planned shopping center with multiple anchor store, up to several 100++ specialty store, food courts and entertainment facilities. Eg: Suria KLCC at Kuala Lumpur</p>
Community shopping center	<p>A community shopping center is a moderate-sized, planned shopping facility with a branch department store and category killer store, as well as several smaller stores. It offers a moderate assortment of shopping and convenience-oriented goods and services to consumers from one or more nearby, well-populated, residential areas. About 20,000 to 100,000 people, who live or work within a 10 to 20 minute drive, are served by this location.</p> <p>Two (2) types of community center are the power center and the life-style center.</p> <ul style="list-style-type: none"> - A power center usually occupies 200,000 to 400,000 sf on a major highway or road intersection. It seeks to be quite distinctive to draw shoppers and better compete with regional centers. - A life-style center is an open-air shopping site that typically includes 150,000 to 500,000 sf of space dedicated to upscale, well-known specialty stores.
Neighborhood shopping center	<p>A neighborhood shopping center is a planned shopping facility, with largest store being a supermarket or a drugstore.</p> <p>This center focuses on convenience-oriented goods and services for people living or working nearby.</p> <p>It serve 3,000 to 50,000 people who are within a 15-minute drive (usually less than 10 minutes).</p> <p>It usually arranged in a strip. Initially, it is carefully planned and tenants are balanced.</p>

3. Other location opportunities

Airports	<p>In the past, the leading airport retailers were fast food outlet, tiny gift store and newspaper/magazine stands.</p> <p>Today airport are a major make-up of retailing.</p> <p>At virtually every large airport, as well as at many medium ones, there are full-blown shopping areas.</p> <p>Most small airports have at least a fast food retailer and vending machine.</p> <p>High pedestrian traffic</p>
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	Rent is higher Hours are longer
Temporary Locations (pop-up stores)	Pop-up stores are store in temporary locations that focus on new products or a limited group of products Good for businesses trying to create a little hype Good introduction for new stores or products Provide visibility for a business Provide additional sales during holidays and special events
Store within a store	Involve an agreement in which a retailer rents a part of the retail space in a store operated by another independent retailer. This concept benefits both companies to attract more customers Helps fill holes in product offerings
Video kiosk	Video kiosk is a freestanding, interactive, electronic computer terminal that display products and related information on a video screen. It often has a touch screen for consumers to make selections. Some kiosk a located in stores to enhance customer service; let consumers place orders, complete transactions (typically with a credit card Kiosks can be linked to retailers computer network or to the web. Video kiosk can be places almost anywhere, require few employees and are an entertaining and easy way to shop.

3.4 LOCATION AND RETAIL STRATEGIES

1. Shopping Situations

- ✚ Consumers want to spend as little time as possible to obtain a product or service, they want a convenient location, they are less concerned with price, and they want a handy location – no fuss.
- ✚ Consumers who comparison shop have a rough concept of the goods or service they seek, but no strong brand preference or retailer preference.
- ✚ Specialty shopping consists of people who know exactly what they want, will accept no substitutes, and have a deep attachment to a product or brand.

2. Size of Target Market

- ✚ Most merchants will evaluate where their business should be located based on the size of their target market and the location of the highest density of their target market.
- ✚ Calculate the maximum number of clients who will be able to buy your product or service.
- ✚ Calculate the proportion of possible clients.
- ✚ Estimate the number of times clients might buy the product or service over the course of a year.
- ✚ Calculate the target market's highest density

3. Uniqueness of Retail Offering

- ✚ For stores with unique, differentiated offerings, the convenience of their locations is less crucial than for retailers with similar offerings.
- ✚ Customers will travel to the store's location, which will become a destination in itself.

3.5 LEGAL CONSIDERATIONS

- ✓ Sign restrictions
- ✓ Licensing requirements
- ✓ Environmental Issues
- ✓ Zoning and Building Codes
 - Regulates land use to prevent interference with existing use by residents or businesses
 - Five categories of activities
 - Residential
 - Commercial
 - Mixed residential and commercial
 - Industrial
 - Special
- ✓ Urban Sprawl

3.6 RETAIL SITE EVALUATION

1. Pedestrian traffic

- ✦ The amount and type of individuals passing by are the most important indicators of a location's and site's worth.
- ✦ To identify the good prospects, several companies use selective counting processes.

2. Parking facilities

- ✦ The demand for retailer parking facilities is determined by the store's trade region, type of store, percentage of customers that drive, and other factors.
- ✦ The number and quality of parking spaces, as well as their distances from stores and employee parking availability, should all be considered. e

3. Transportation

- ✦ Mass transit, access from major highways, and delivery convenience must all be investigated.
- ✦ Because many thoroughfares are ideal for cars but prohibit heavy trucks, the transportation network should be analysed for delivery truck access.

4. Store composition

- ✦ The number of stores and their sizes should be appropriate for the sort of location.
- ✦ It's important to think about retail balance, or the mix of retailers in an area or shopping centre.

5. Specific site

- ✦ For a specific site, visibility, placement in the area, lot size and form, building size and shape, and building condition should all be considered.
- ✦ Store awareness is aided by high exposure, and some customers are hesitant to walk down a side street or to the end of a shopping mall.

TUTORIAL EXERCISE



Critical Thinking Exercises

1. Explain five classification of retail merchandise that can be implemented by company?
2. What are the seven steps of merchandise management processes necessitated by the company?
3. Discuss four types of merchandise management planning stated below;
 - i. Staple Merchandise
 - ii. Assortment merchandise
 - iii. Seasonal Merchandise
 - iv. Fashion Merchandise

4

STORE MANAGEMENT



STORE MANAGEMENT



Credit image: <https://www.primaseller.com>

The environment in a store, as well as the design of the store, as well as the presentation and placement of items in the store, have a big impact on customer behaviour.

4.1 THE STORE DESIGN OBJECTIVES

1. Implement the retail strategy

- ✚ By satisfying the needs of the target market and establishing a durable competitive advantage, the design must be compatible with and reinforce the retailer's strategy.
- ✚ Starbucks' store designs, for example, are influenced by Italian coffee shops that offer not only wonderful coffee but also a place to meet friends, mingle, and relax.

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- ✦ Starbucks is a location where people just want to hang out and have a decent cup of coffee, with soft lighting, wood tables, comfortable sitting, free wi-fi, and clean bathrooms.

2. Build loyalty

- ✦ Customers who have consistently positive experiences when visiting a business's store or website are more likely to return and establish loyalty to the retailer.
- ✦ The design of a store can make or break a customer's shopping experience. Rewarding.
- ✦ Example : Starbucks card



3. Increase sales on visits

- ✦ Store Customers' purchases, how long they stay in the store, and how much they spend during a visit are all influenced by store design.
- ✦ Because most shoppers devote very little time and thought to shopping and picking items in supermarkets, the products they view during their visit have a significant impact on their purchasing decisions.
- ✦ Retailers try to build their businesses in such a way that impulse purchases are encouraged.

4. Control costs to increase profits

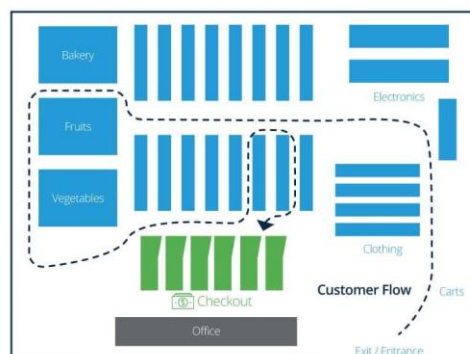
- ✚ Retailers must keep costs under control while implementing shop designs and keeping a gleaming image.
- ✚ Walmart has built new stores with the goal of decreasing the amount of energy and other natural resources required for store operations, minimizing the raw materials used in construction, and using renewable materials whenever available.

5. Meet Legal considerations

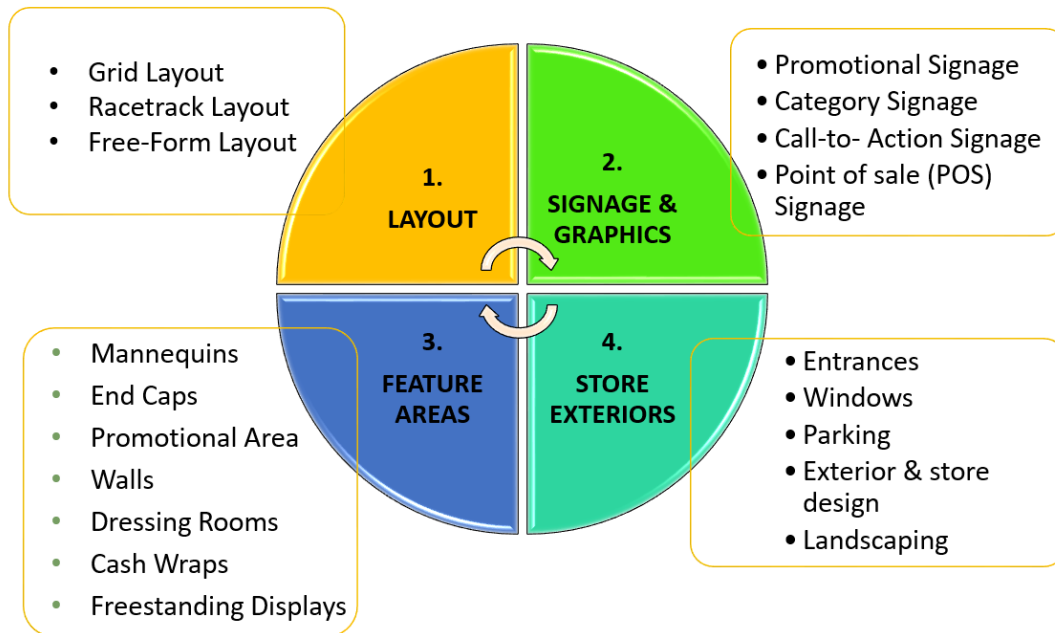
- ✚ Legal compliance entails not only knowing and understanding the laws that apply to the company, but also being able to demonstrate that the company and its subsidiaries are always in conformity.
- ✚ For example, discrimination against people with disabilities is prohibited in employment, transportation, public accommodations, telecommunications, and state and municipal government operations.
- ✚ It has an impact on store design because it requires for "reasonable access" to services in retail businesses.

6. Design Trade-off

- ✚ Retailers frequently make trade-offs between incentivizing spontaneous purchases and making it simple to purchase goods.
- ✚ Supermarkets, for example, place milk in the rear of the shop to encourage customers to go around the entire store, resulting in more impulse purchases.
- ✚ A design trade-off example: -



4.2 STORE DESIGN ELEMENTS



1. Layout

✚ Three types of store layout design:

- a. Grid Layout
- b. Racetrack Layout
- c. Free-Form Layout

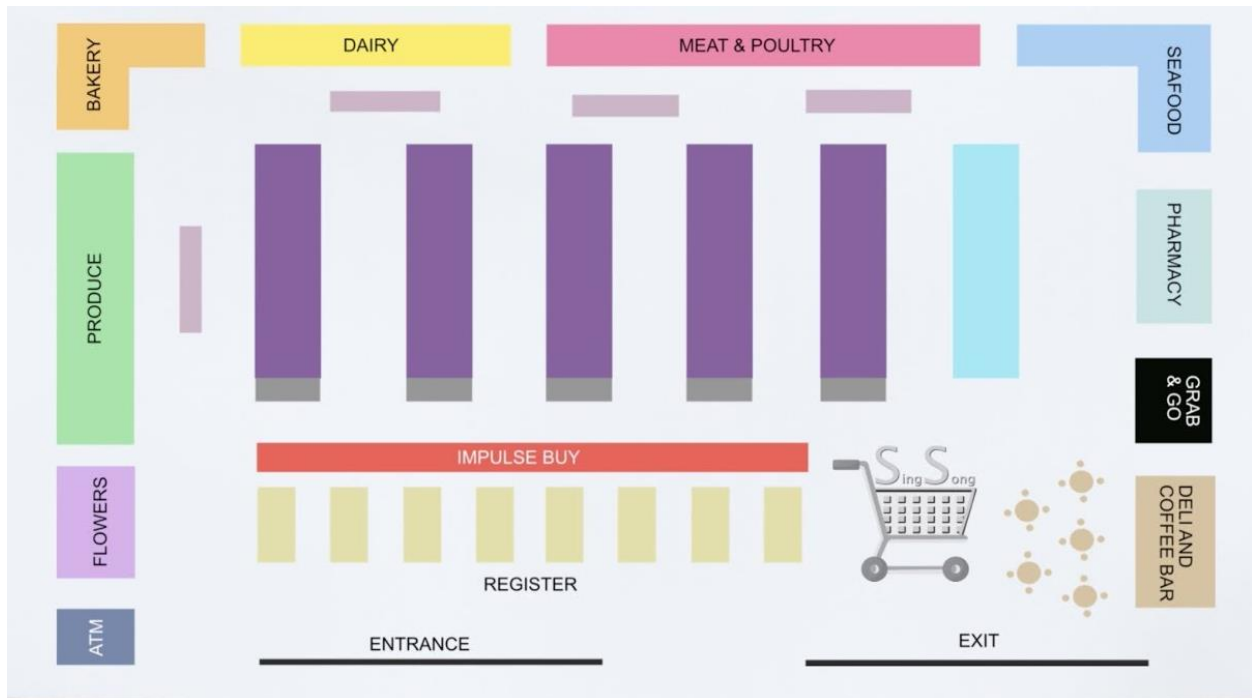
a. Grid Layout

✚ Long Gondolas in a repeating pattern.

✚ Customers may often grab a shopping cart, start in the front corner, and walk by each aisle because the fixtures run parallel to the walls.

- ✚ It's simple to shop in because it provides consistent sight lines throughout the store, makes it simple to discover items, enables for more merchandise to be exhibited, and is cost effective. It's found in grocery, discount, and drug stores.

✚ Example : Grid Layout



b. Racetrack Layout

- ✚ A loop layout is another name for it.
- ✚ A broad aisle connects the loop, providing access to departments and the store's many entrances.
- ✚ The purpose of allowing clients to see the items available in several departments is made easier with the loop architecture, which encourages accidental purchases.
- ✚ Customers can see merchandise beyond the products placed on the racetrack because to low fixtures.
- ✚ Department retailers use it.

✚ Example : Aeon : Racetrack Layout



c. Free-Form Layout

- ✚ A loop layout is another name for it.
- ✚ Asymmetrical fixtures and aisles are referred to as a boutique layout.
- ✚ It provides a cosy, pleasant atmosphere for shopping and browsing.
- ✚ It's not cheap to create a comfortable atmosphere (costly) - knowledge of small businesses
- ✚ Inefficient use of space — the store's layout reduced the amount of items available.
- ✚ Used in premium department stores and specialist stores.

- ✚ Example Free-Form Layout :



2. Signage and Graphics

- ✚ Inside the store, signage and graphics assist customers in locating specific products and departments, providing product information, suggesting things or special purchases, and reinforcing a store's brand.

- ✚ Types of signage are :

- Promotional Signage
- Category Signage
- Call-to- Action Signage
- Point of sale (POS) Signage

a. Promotional Signage

- ✚ Describes special offers that can be found in the business or displayed in the windows to draw customers in.
- ✚ For example, big posters of models wearing new or sale products are frequently displayed in the windows of value clothes stores for young women.

✚ Example :



b. Category Signage

✚ To identify the types of products available inside a specific department or section of the store, this term is used. They are frequently found near the items they relate to.

✚ Example :



c. Call-to- Action Signage

✚ Customers can interact with the retailer via QR (quick response) codes on their phones, e-mail, short-message services, Facebook, or other digital channels if they are placed in strategic spots throughout the store.

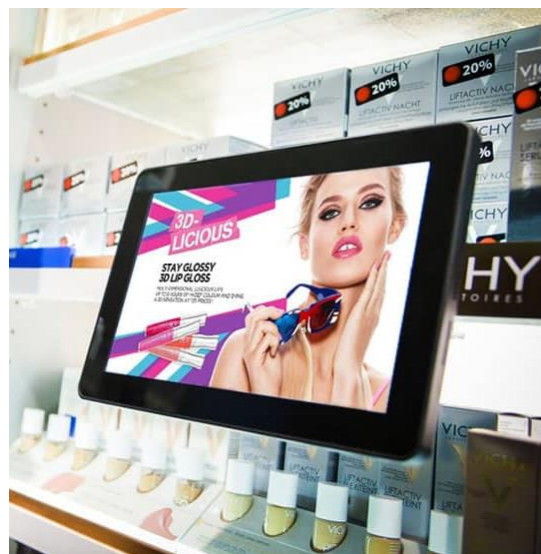
✚ Example :



d. Point of sale (POS) Signage

- ✚ Customers can see the pricing and other details about the goods by placing point-of-sale signs near it.
- ✚ Some of this information may already be on the label or package of a product.

✚ Example :



3. Feature Areas

- ✚ Feature areas are the areas within a store that are designed to get customers' attention.
- ✚ They include :

- a. Mannequins
- b. End Caps
- c. Promotional Area
- d. Walls
- e. Dressing Rooms
- f. Cash Wraps
- g. Freestanding Displays



a. Mannequins

- ✚ Mannequin is a life-sized representation of the human body, used for displaying apparel.
- ✚ They can help personify a brand, push customers to enter their stores, and perhaps even offer an ideal image that encourages shoppers to buy a little something extra that looks great on display

b. End Caps

- ✚ End caps are displays located at the end of an aisle in stores using a grid a layout.
- ✚ Due to the high visibility of end caps, sales of product increase dramatically when that merchandise is featured on an end cap.
- ✚ End-cap displays that end in a disorganized dump bin encourage more purchases than an organized bin

c. Promotional Area

- ✚ Promotional area is a space used to display merchandise that is being promoted.
- ✚ Drugstores, for instance, use promotional aisles to sell seasonal merchandise, such as lawn and garden products in the summer and Christmas decorations in the fall.



- ✚ Specialty stores and department stores tend to locate a promotional area at the back of the store or department.
- ✚ To get to the items on sale, customers must pass through all the full-price merchandise, which makes it more likely that something will catch their eye.



d. Walls

- ✚ Walls because retail floor space is often limited, many retailers increase their ability to store extra stock, display merchandise, and creatively present a message by utilizing wall space.
- ✚ Merchandise can be stored on shelving and racks and coordinated with displays, featuring photographs, or graphics the merchandise.



e. Dressing Rooms

- ✚ Rooms Dressing rooms are critical whether to purchase an item.
- ✚ Large, clean, and spaces where customers often decide comfortable dressing rooms put customers in the mood to buy.



f. Cash Wraps

- ✚ Also known as point-of-purchase (POP) counters or checkout areas, are places in the store where customers can purchase merchandise.
- ✚ Because many customers go to these areas and wait in line to make a purchase, retailers often use them to display impulse purchase items.
- ✚ For example, in supermarkets, batteries, candy, gum, and magazines are often shelved at the checkout counter



g. Freestanding Displays

- ✚ Freestanding displays are fixtures that are located on aisles and designed primarily to attract customers' attention and bring them into a department.
- ✚ These fixtures often display and store the newest, most exciting merchandise in the particular department.

4. Feature Areas

- ✚ Before shoppers even get within the store, retailers need to attract their attention with an appealing exterior that invites them in.
- ✚ They include :
 - a. Entrances
 - b. Windows
 - c. Parking
 - d. Exterior & store design
 - e. Landscaping

a. Entrances

- ✚ Many tiny establishments have only one entrance, but department stores may have up to eight.
- ✚ The store entrance door can be either revolving (electric) or self-opening (push-pull).
- ✚ Cement, tile, or carpet can be used for the entrance flooring.

b. Windows

- ✚ The objective of a display window is to draw attention to the store and its products while also encouraging visitors to come.
- ✚ By showing eye-catching displays, the store can attract pedestrian attentions.

c. Parking

- ✚ Most stores must deal with parking, regardless of the style they choose.
- ✚ Customers must also have simple access from parking areas, as well as enough parking places.

d. Exterior & store design

- ✚ The retail offer shoppers will find the retail location thanks to the signage that show on the exterior.
- ✚ Famous signage can even bring up memories almost instantly: The Golden Arches are a bright and noticeable feature that informs customers those hamburgers and fries are available at that location.
- ✚ The Starbucks mermaid can be found at every one of the company's coffee shops.

e. Landscaping

- ✚ The type of business, its image, and the location in which it is located are all factors that retailers should consider.
- ✚ Customers expect a reasonable amount of landscaping outside the store when the goods is more expensive.

SPACE MANAGEMENT

Space management involve decision of:

1. Space allocated to merchandise categories

- ✚ Retailers consider the following factors when selecting how much floor or shelf space to devote to different goods categories and brands:
 - ✚ i. Space productivity - Retailers should allocate space to merchandise categories based on their impact on overall store profitability.
 - ✚ ii. Inventory turnover - greater space should be allotted to fast-moving items to lessen the need to resupply the shelf on a regular basis and avoid stockouts.
 - ✚ iii. Merchandise display considerations - A retailer may elect to employ a merchandise display to enhance its image.

2. Location of merchandise categories

- ✚ Customers are more likely to shop the entire store if businesses strategically place impulsive and demand/destination products throughout the store.
- ✚ Impulse purchases are those made on the spur of the moment.
- ✚ Demand merchandise and promotional merchandise are located at the store's back left corner.
- ✚ Specialty Merchandise - Some merchandise categories necessitate a purchasing process that is best carried out in a low-traffic area. (Curtains take up a lot of wall space, and women's lingerie is usually kept in a separate area to provide a more private shopping experience.)

3. Determining store size

- ✚ Choosing the appropriate size for the shop.
- ✚ Retailers will likely pay less rent in their smaller facilities, be able to hire fewer staff and so lower payroll expenses and gain access to new markets as a result of their smaller spaces.

- ✚ Some stores have decreased their inventory to the point where they function more like showrooms, where customers may touch, feel, and, in the case of fashion, try on items.

4.3 STORE ATMOSPHERICS

- ✚ Retailers consider the following factors when selecting how much floor or shelf space to devote to different goods categories and brands:
- ✚ The term "atmospherics" refers to the stimulation of the five senses in the creation of an environment.
- ✚ Retailers use store atmospheres to elicit perceptual and emotional responses from customers : **Lighting, Color, Music, Scent, Taste.**
 - Lighting** - In a store, good lighting entails more than merely illuminating the space. Lighting may enhance the store's image by highlighting items, sculpting space, and capturing a mood or feeling. Retailers are experimenting with technologically enhanced lighting as a method to save energy.
 - Color** - Using colour creatively can assist a retailer's image and create a mood. Warm colours (red, gold, and yellow) elicit emotional, lively, heated, and active responses, whereas cool colours (white, blue, and green) elicit a quiet, soft, and relaxing response. Depending on the culture of the clients, colours may have a distinct impact.
 - Music** - Music can either enhance or detract from a retailer's overall ambience. Music, unlike other atmospheric aspects, may be simply adjusted. Music can also be used by retailers to influence customer behaviour.
 - Scent** - Customers' moods and emotions are greatly influenced by their sense of smell. Scent has a favourable impact on the customer's degree of enthusiasm and happiness with the shopping experience when combined with music. Neutral scents elicit more good thoughts toward the store than no scent at all.
 - Taste** - Customers are more likely to remain and enjoy their shopping experience if they can grab a snack without leaving the store.

TUTORIAL EXERCISE



Case Study

One of Malaysia's largest retail Giant faces a major issue: Decreasing basket size & value, due to a number of factors including shifting consumer trends, the introduction of a new privileged competition, governmental regulations, and certain licensing limitations. The General Retail industry is a tough one to crack: Consumers are often looking for better prices, greater value & more convenience. Loyalty to a particular brand is nothing without any of the above, and it's not guaranteed.

With tightening government regulations and the introduction of GST (Goods & Services Tax) in Malaysia, the general population become more increasingly aware about their spending – Often citing price increases as one of the major factors in determining the size of their checkout basket.

General retailers often work in very thin margins for the products they carry on their shelves. For discount retailing, it's often about sheer volume. Pricing & promotions play an extremely important role in the ecosystem, apart from location & stock availability.

Marketify was introduced to a host of fundamental problems during the project initiation: Non-existent web infrastructure, a number of advertising agencies that took our client for a ride, disorganised operational procedures & workflows, lack of direction in the digital department, a mountain of spending on unnecessary web assets and the list goes on.

Our challenge was to come up with a number of activities where we will re-organise existing workflows and assets, give a clear direction on the Digital department, reclaim assets that were wrongfully taken away by 3rd party companies and further influence the consumption of promotional messages on the consumer level.

By creating a stable & efficient foundation to work upon, the digital team will be able to further contribute to the overall goal.

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1st Edition



e ISBN 978-967-2241-87-4



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