MARTIN de TOURS SCHOOL OF MANAGEMENT
DEPARTMENT OF MARKETING

Lesson Plans
MKT3803
Retailing Management

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Introduction

MKT3803 Retailing Management is an elective course. The pre-requisite for the subject IS MKT2280 Principles of Marketing.

Course Description

A study of roles and scope of retailing business, characteristics and types of retailing, retail customers, competition, channel behavior, selection of retail location, merchandising, pricing, promotion, selling, customer servicing, store layout and design as well as management of day-to-day operation

Course Objectives

This module will enable students to:

- To familiarize students with retailing concepts, strategies, and problems
- To enhance student's capability to identify and analyze business environment and its opportunities and limitations, to set appropriate goals and to design the strategies to achieve those goals within the current situations
- To be able to write the retail business plan to set up the new retail business
- To improve students' capacity to identify current marketing activities engaged by retailing organization

Learning outcomes

On successful completion of this module students will be able to:

- Identify and evaluate different types of retailers and know how employ more than one channels of retailing.
- Understand the customer behaviors in retail situation.
- Analyze the retail market strategies and design the positioning or competitive advantages for the retail businesses
- Consider the alternative location to situate the retail store
- Manage the retail employees more effectively
- Understand the concept of Information system and supply chain management
- Design the CRM program to prolong the customer lifetime and customer service to facilitate the customer's shopping experiences
- Apply the communication devices in the stores and create the branding strategies to differentiate the retail store from other competitive stores
- Be able to design the store layout and set up visual merchandising
- Retrieve, analyze and interpret information from real life marketing case studies.

Methods of teaching and learning

Formal lectures will be used to introduce a topic and students will be expected to complete background reading prior to the lectures as indicated.

Lectures	45	hours
Independent study	90	hours

Marks allocation

Participation/Workshop	**10%**
Group Project	**20%**
Group Assignment	**10%**
Midterm Examination	**25%**
Comprehensive Final Examination	**35%**
Total	**100%**

LESSON PLANS

Lesson 1: Introduction to the World of Retailing (Chapter 1)

Chapter goals:

- To provide an overview of retail management and introduce retailers of the world
- To explain the importance of retailing business in modern economy
- To discuss how the well-known retailers sustain in the severely competitive situation

Time Allocation: 3 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Describe the retail business and how it's different from other business • Identify the activities to be mainly performed by retail business and these activities are important for the economy as a whole • Identify and analyze the type of competition in retail business • Introduce the retail marketing mix to prepare the students before thorough discussion about each retail strategy mix	**I. What Is Retailing?** • **Retailing** is the set of business activities that adds value to the products and services sold to consumers for their personal or family use. **II. The World of Retailing** • Retailing is evolving into a global, high-tech business. Wal-Mart is the world's largest retailer and the largest food retailer in the U.S. • Retailers are using sophisticated communications and information systems to manage their business. The use of new technologies helps retailers reduce their operations costs, while better serving their customers. • To compete against nonstore retailers, stores are now becoming more than just places to buy products. They are offering entertaining and educational experiences for their customers. • In this dynamic environment, entrepreneurs are launching new companies and concepts and becoming industry leaders, while traditional firms have had to rethink their business or go bankrupt. • Retail managers today must make complex decisions on selecting target markets and retail locations, determining what merchandise and services to offer, negotiating with supplier and distributing merchandise to stores, training and motivating sales associates, and deciding how to price, promote and present merchandise. **III. A Retailer's Role in Distribution Channels** • Retailers satisfy consumer needs by offering the right product at the right place and at the right price. • Retailers are the final business in a distribution channel that links manufacturers with consumers. A **distribution channel** is a set of firms that facilitate the movement of products from the point of production to the point of sale to the ultimate consumer. • Manufacturers make products and sell them to retailers or wholesalers. Wholesalers buy products from manufacturers and resell	Lecture and Discussion	PowerPoint presentation Case study	Questioning and answering questions in class

these products to retailers, while retailers resell products to consumers. Wholesalers satisfy retailers' needs, while retailers direct their efforts to satisfying needs of ultimate consumers.

- Some retail chains are both retailers and wholesalers. They’re performing retailing activities when they sell to consumers and wholesaling activities when they sell to other businesses like building contractors or restaurant owners.

- In some distribution channels, manufacturing, wholesaling, and retailing independent firms perform activities.
- But most distribution channels have some vertical integration. **Vertical integration** means that a firm performs more than one level of activity in the channel. For example, most large retailers--such as Safeway, Wal-Mart, and Office Depot --do both wholesaling and retailing activities

IV. Functions Performed by Retailers

Retailers undertake business activities and perform functions that increase the value of the products and services they sell to consumers.

1. Providing Assortments

- Offering an assortment enables customers to choose from a wide selection of brands, designs, sizes, colors, and prices in one location.
- All retailers offer assortments of products, but they specialize in the assortments they offer. Supermarkets provide assortments of food, health and beauty care (HBC), and household products; while The Limited provides assortments of clothing and accessories.

2. Breaking Bulk

- To reduce transportation costs, manufacturers and wholesalers typically ship cases/cartons of products to retailers.
- Retailers then offer the products in smaller quantities tailored to individual consumers’ and households’ consumption patterns

3. Holding Inventory

- A major function of retailers is to keep inventory so that products will be available when consumers want them, reducing consumer’s cost of storing products.

4. Providing Services

- Retailers provide services such as credit, product displays, and sales staff to make it easier for customer to buy and use the product

5. Increasing the value of products and services.

- By providing assortments, breaking bulk, holding inventory, and providing services, retailers increase the value consumers receive for their products and services.

V. Economic Significance Of Retailing

A. Retail Sales

U.S. retail sales in 2001 were $3 trillion. However, official statistics include only store and catalog sales; they don't include other types of non-store retail sales.

B. Employment

Retailing is one of the nation's largest industries in terms of employment. By 2010, approximately, 26 million or 17% of the total U.S. workforce would be employed in retailing.

C. Top 25 Global Retailers

- Exhibit 1-4 includes companies that compete on the basis of price (such as Wal-Mart), firms that are known for specific categories (such as Safeway for groceries and Walgreen for drugs), and firms that sell a wide variety of merchandise through different retail formats (such as JCPenney).
- The largest 200 retailers account for about 30% of worldwide retail sales. 78 of the largest 200 retailers are from the U.S., while 30 are from Japan.
- Several U.S. retailers are now venturing abroad, though in terms of global expansion, they have still not caught up with their European counterparts.

D. Structure of Retailing and Distribution Channels Around the World

- The US distribution system has the greatest retail density with a greatest concentration of large retail firms. The combination of large stores and large firms result in a very efficient distribution system.
- Small stores operated by relatively small firms and a large, independent wholesale industry characterizes the Japanese distribution system. As a result, a larger percentage of labor being employed in distribution and retailing than in the US.
- Northern European retailing is most similar to the US system. Southern European retailing is more fragmented across all sectors. Central European retailing has changed from a highly concentrated structure to one of extreme fragmentation (involving small family owned stores).
- Factors that have created differences in distribution systems include social and political objectives, geography, and market size. Japan and several countries in Europe have laws regulating store sizes and protecting small stores, while also being more expensive as compared to land-abundant U.S. Moreover, the U.S. retail market is larger than Japan or any single European country.

VI. Competition

- A retailer's primary competitors are those with the same format. Thus, department stores compete against other department stores and supermarkets compete with other supermarkets. This competition between retailers with the same format is called **intratype competition**.

- To appeal to a broader group of consumers and provide one-stop shopping, many retailers are increasing their variety of merchandise. **Variety** is the number of different merchandise categories within a store or department. The offering of merchandise not typically associated with the store type, such as clothing in a drug store, is called **scrambled merchandising**.

- Competition between retailers that sell similar merchandise using different formats, such as discount and department stores, is called **intertype competition**.

- Increasing intertype competition has made it harder for retailers to identify and monitor their competition. In one sense, all retailers compete against each other for the dollars consumers spend buying goods and services.

- Since convenience of location is important in store choice, a store's proximity to competitors is a critical factor in identifying competition.

- Management's view of competition also can differ, depending on the manager's position within the retail firm.
- The CEO of a retail chain may view competition from a much broader geographic perspective as compared to a specific store's manager or a departmental sales manager within the store.

VII. Developing a Retail Strategy

- An understanding of the macro- and microenvironments are needed to formulate and implement a retail strategy.
- The **retail strategy** indicates how the firm plans to focus its resources to accomplish its objectives. The retail strategy identifies: (1) the target market, (2) the nature of merchandise and services to be offered, and (3) how the retailer will build a long-term advantage over competitors.

Lesson 2: Types of Retailers (Chapter 2)

Chapter goals:

- To provide an overview of the generic differences among different types of retailers
- To discuss on how different retail formats satisfy the needs of shoppers
- To identify the differences between service and merchandise retailers

Time Allocation: 1.5 hours

<table>
<tr><th>Learning Objectives</th><th>Brief Contents</th><th>Teaching/ Learning Strategies</th><th>Teaching Aids/ Materials</th><th>Evaluation</th></tr>
<tr><td>To enable students to

• Explain the generic differences among different types of retailers

• Understand the retail characteristics

• Understand the major differences between service and merchandise retailers</td><td>I. Trends in Retail Industry
• The retail industry is changing rapidly. Some of the most important changes involve (1) the greater diversity of retailers, (2) increasing industry concentration, (3) globalization, and (4) use of multiple channels for consumer interaction (this last point discussed further in Chapter 3).

A. Greater Diversity of Retail Formats
• Consumers now can purchase the same merchandise from a wider variety of retailers.
• The Internet has spawned a new set of retailers offering consumers the opportunity to buy merchandise and services at fixed prices, participate in an auction, or submit a “take-it-or-leave-it” bid.
• New types of retailers coexist with traditional retailers. Each type of retailer offers a different set of benefits, thus consumers patronize different retailers for different purchase occasions.

B. Increasing Industry Concentration
• While the number of different retail formats has grown, the number of competitors within each format is decreasing.
• A few national retailers dominate most formats.

II. Retailer Characteristics

A. Price-Cost Tradeoff
• The difference between the retail mix of department and discount stores illustrates the tradeoff retailers make between the price of merchandise they sell and the services they offer to their customers. To make profit and provide these additional benefits to its customers, department stores have to increase the prices of its merchandise to cover the additional costs. This is referred to as the Price-Cost tradeoff.

B. Variety and Assortment.
• Variety is the number of different merchandise categories a retailer offers. Assortment is the number of different items in a merchandise category. Each different item of merchandise is called a</td><td>Lecture and Discussion</td><td>PowerPoint presentation</td><td>Questioning and answering questions in class.</td></tr>
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	SKU (stock keeping unit). • Variety is often referred to as the **breadth of merchandise** and assortment is referred to as the **depth of merchandise**. **C. Customer Services** • Retailers also differ in the services they offer customers. Customers expect retailers to provide some services--accepting personal checks, providing parking, and being open long and convenient hours. **D. Cost of Offering Breadth and Depth of Merchandise and Services** • When a retailer offers many SKUs, inventory investment increases because the retailer must have back-up stock for each SKU. • Similarly, services attract customers to the retailer, but they are also costly. • A critical retail decision involves the trade-off between costs and benefits of maintaining additional inventory or providing additional services. **III. Food Retailers** **A. Conventional Supermarkets** • A **conventional supermarket** is a self-service food store offering groceries, meat, produce, and limited non-food items. • **Superstores** are larger conventional supermarkets with expanded service deli, bakery, seafood and non-food sections. • Half of the conventional supermarkets are very promotional. They also offer their own coupons and may agree to reimburse customers double or triple the face value of manufacturer coupons. This is called a **high-low pricing strategy**. • The other halves of conventional supermarkets use very few promotions and sell almost all merchandise at the same price every day. This is called an **everyday low pricing (EDLP) policy**. Typically, everyday prices in these supermarkets are lower than regular prices in promotional supermarkets. **B. Big Box Food Retailers** • Over the past 25years, supermarkets have increased in size and have begun to sell a broader variety of merchandise. In 1979, conventional supermarkets accounted for 85 percent of supermarket sales. • By 1998, only 41 percent of supermarket sales were in conventional supermarkets due to the growth of “big box” food retailing formats -- supercenters, hypermarkets, and warehouse clubs.			

	C. Convenience Stores • **Convenience stores** provide a limited variety and assortment of merchandise at a convenient location in a 2,000-to-3,000-square-foot store with a speedy checkout. They are a modern version of the neighborhood mom-and-pop grocery/general store. • Convenience stores enable consumers to make purchases quickly without having to search through a large store and wait in long checkout lines. • Convenience stores only offer a limited assortment and variety; they charge higher prices than supermarkets. **IV. General Merchandise Retailers** **A. Discount Stores** • A **discount store** is a retailer that offers a broad variety of merchandise, limited service, and low prices. They offer both private and national brands, but these brands are typically less fashion-oriented than brands in department stores. • Discount stores face intense competition from specialty stores that focus on a single category of merchandise, such as Circuit City, Sports Authority, and Home Depot. • To respond to this competitive environment, discount stores have created more attractive shopping environments, placed more emphasis on apparel, and developed strong private-label merchandise programs. **B. Specialty Stores** • A **specialty store** concentrates on a limited number of complementary merchandise categories and provides a high level of service in an area typically less than 8,000 square feet. • In recent years, specialty apparel stores has been one of the weakest, slowest-growing areas in retailing. One reason is an aging population: older people typically don't spend as much money on clothing as teenagers. **C. Category Specialist** • A **category specialist** is a discount store that offers a narrow variety but deep assortment of merchandise. These retailers are basically discount specialty stores. **D. Department Stores** • **Department Stores** are retailers that carry a broad variety and deep assortment, offer some customer services, and are organized into separate departments for			

displaying merchandise.

E. Drugstores

- **Drugstores** are specialty stores that concentrate on health and personal grooming merchandise. Pharmaceuticals often represent 50 percent of drugstore sales and an even greater percentage of their profits.

V. Nonstore Retail Formats

A. Electronic Retailing

- **Electronic Retailing** (or e-tailing or Internet Retailing) is a retail format in which the retailers communicate with customers and offer products and services for sale over the Internet.

B. Catalog and Direct-Mail Retailing

- **Catalog Retailing** is a nonstore retail format in which the retail offering is communicated to a customer through a catalog.
- **Direct-mail Retailers** communicate with their customers using letters and brochures.

C. Direct Selling

- **Direct Selling** is a retail format in which a salesperson, frequently an independent businessperson, contacts a customer directly in a convenient location, either at the customer's home or at work, and demonstrates merchandise benefits, takes an order, and delivers the merchandise to the customers.

D. Television Home Shopping

- **Television Home Shopping** is a retail format in which customers watch a TV program demonstrating merchandise and then place orders for the merchandise by telephone. The three forms of electronic home shopping retailing are: (1) **dedicated cable channels**, (2) **infomercials** (TV programs, typically 30 minutes long), and (3) **direct-response advertising** (advertisements on TV and radio that describe products and provide and opportunity for consumers to order them).

E. Vending Machine Retailing

- **Vending Machine Retailing** is a nonstore format in which merchandise or services are stored in a machine and dispensed to customers when they deposit cash or use a credit card. Vending machines are placed at convenient, high-traffic locations such as in the workplace or on university campuses and primarily contain snacks or

	drinks. **VI. Services Retailing** • **Service Retailers** are firms that primarily sell services rather than merchandise and are a large and growing part of the retail industry. **A. Differences Between Services and Merchandise Retailers** • Four important differences in the nature of the offering provided by services and merchandise retailers are: (1) intangibility, (2) simultaneous production and consumption, (3) perishability, and (4) inconsistency of the offering to customers.			

Lesson 3: Multi-channel retailing (Chapter 3)

Chapter goals:

- To demonstrate the importance of using more than one channel in reaching the customers
- To understand the characteristics, advantages and disadvantages of each channel for the strategic mix of channels

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Describe the characteristics of different channels • Strategically select the channel mix to maximize the customer satisfaction and profits	**I. Multi-channel retailer** • A m**ulti-channel retailer** is a retailer that sells merchandise and/or services through more than one channel. By using a combination of channels, retailers can exploit the unique benefits provided by each channel build a sustainable competitive advantage. **A. Store Channel** • Stores offer a number of benefits to customers that they cannot get when shopping through catalogs and the Internet. **B. Catalog Channel** • **Convenience.** Catalogs, like all nonstore formats, offer the convenience of looking at merchandising and placing an order any day at any time from almost anywhere. • **Safety.** Nonstore retail formats have an advantage over store-based retailers by enabling customers to review merchandise and place orders from a safe environment – their homes. • **Quality of Visual Presentation.** The photographs of merchandise in catalogs, while not as useful as in-store presentations, are superior to the visual information that can be displayed on a CRT screen. **C. Electronic retailing** • In addition to the convenience and security of shopping from home or work at any time, the electronic channel has the potential for offering a greater selection of products and more personalized information about products and services. These benefits include: (1) broader selection, (2) more information to evaluate merchandise, (3) personalization, and (4) problem-solving information.	Lecture and Discussion	PowerPoint presentation	Questioning and answering questions in class.

Lesson 4: Retail market strategy (Chapter 5)

Chapter goals:

- To understand the 3 main ingredients in constructing the retail market strategies and building the competitive advantages
- To discuss the tactics in selecting and implementing the competitive advantages

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Create the retail market strategies based on the competitor and consumer analysis • Be able to analyze the leading retailer's retail market strategies	**I. Definition of Retail Market Strategy** ▪ A **retail strategy** is a statement identifying 1) the retailer's target market 2) the format the retailer plans to use to satisfy the target market's needs, and 3) the bases upon which the retailer plans to build a sustainable competitive advantage. ▪ The **target market** is the market segments(s) toward which the retailer plans to focus its resources and retail mix. ▪ A **retail format** is the retailer's type of retail mix (nature of merchandise and services offered, pricing policy, advertising and promotion programs, approach to store design and visual merchandising, and typical location). ▪ A **sustainable competitive advantage** is an advantage over competition that can be maintained over a long time. **II. Target Market And Retail Format** ▪ The **retailing concept** is a management orientation that focuses a retailer on determining the needs of its target market and satisfying those needs more effectively and efficiently than its competitors. ▪ The **selection of a target market** focuses the retailer on a group of consumers whose needs it will attempt to satisfy. ▪ The selection of a retail format outlines the retail mix to be used to satisfy needs of customers in the target market. ▪ The **retail strategy** determines the markets in which a retailer will compete. ▪ We define a **retail market**, not as a specific place where buyers and sellers meet, but as a group of consumers with similar needs (a market segment) and a group of retailers using a similar retail format to satisfy those consumers need. **III. Building A Sustainable Competitive Advantage** ▪ The final element in a retail strategy is the retailer's approach to building sustainable competitive advantage. ▪ Some advantages are sustainable over a long period of time while competitors can	Lecture and Discussion and case study	PowerPoint presentation	Questioning and answering questions in class.

	duplicate others almost immediately. Establishing a competitive advantage means that a retailer builds a wall around its position in the retail market. ▪ Over time, all advantages will be eroded due to these competitive forces. ▪ Seven important opportunities for retailers to develop sustainable competitive advantages are (1) customer loyalty, (2) location, (3) human resource management, (4) distribution and information systems, and (7) customer service.			

Lesson 5: Financial strategies to increase retail performance (Chapter 6)

Chapter goals:

- To introduce the financial ratio relating to the retail performance
- To understand the different ratio and how to use them strategically to improve the retail performance

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Understand the retail performance through different important ratio • Understand the same ratio of different retail formats • Interpret the financial ratio and improve the ratio	**I. Financial strategic decision** ▪ Financial decisions are an integral component in every aspect of a retailer's strategy. Retailers can use financial tools to measure and evaluate their performance. ▪ There are two paths available to achieve a high level of performance: the profit path, and the turnover path. ▪ The two paths are combined into the strategic profit model to illustrate those retailers using very different strategies and financial performance characteristics can be financially successful. **A. The Strategic Profit Model** • One important financial goal for retailers is to achieve a high return on assets. • Asset turnover is used to measure the productivity of a firm's investment in assets. It is expressed as: Net Profit ÷ Total Assets • When you multiply net profit margin times asset turnover, the net sales cancels out of the equation and you get return on assets. • Thus, Return on Assets = Net profit X Asset Turnover • Return on assets can be divided into two paths: The Profit Path, measured by net profit margin, and the Turnover path, which is measured by asset turnover. • Two different retailers with wide discrepancies in net profit margin and asset turnover could have exactly the same return on assets. **B. The Profit Path** • The information used to analyze a firm's Profit Path comes from the income statement. • The income statement summarizes a firm's financial performance over a period of time. **C. The Turnover Path** • The information used to analyze a firm's	Lecture and Discussion and problem solving	PowerPoint presentation	Questioning and answering questions in class.

	turnover path primarily comes from the balance sheet. • The income statement summarizes the financial performance over a period of time, while the balance sheet summarizes a retailer's financial position at a given point in time, such as the last day of the year. • The balance sheet shows the following relationship: Assets = Liabilities + Owner's equity • **Assets** are economic resources (such as inventory or store fixtures) owned or controlled by an enterprise as a result of past transactions or events. • **Liabilities** are an enterprise's obligations (such as accounts or notes payable) to pay cash or other economic resources in return for past, current, or future benefits. • **Owners' equity** (owners' investment in the business) is the difference between assets and liabilities. It represents the amount of assets belonging to the owners of the retail firm after all obligations have been met.			

Lesson 6: Retail location (Chapter 7)

Chapter goals:

- To understand the different types of retail locations
- To select the strategic locations for particular type of stores

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Realize the importance of retail location • Understand the factors used to classify the type of different locations • Analyze the advantages and disadvantages of each location type	**Store Location** • **Store location** is often the most important decision made by a retailer. • First, location is typically the prime consideration in a customer's store choice. • Second, location decisions have strategic importance because they can be used to develop a sustainable competitive advantage. • Location decisions are generally harder to change because retailers frequently have to either make substantial investments to buy and develop real estate or commit to long-term leases with developers. • Location decisions have become even more important in recent years. • Better locations are harder to obtain. This problem is made more complex by a slowdown in both population growth and new shopping center construction. • Many types of locations are available for retail stores – each with its own strengths and weaknesses. Choosing a particular location type involves evaluating a series of trade-offs. These trade-offs generally concern the cost of the location versus its value to customers. • Retailers have three basic types of locations to choose from: (1) Shopping Center, (2) City or Town location, and (3) Freestanding location. **I. Shopping centers** • A **shopping center** is a group of retail and other commercial establishments that is planned, developed, owned, and managed as a single property. **II. City or Town Locations** • These locations are typically unplanned, have multiple owners, and have access from the street. **III. Freestanding Sites** • A **freestanding site** is a retail location that's not connected to other retailers, although many are located adjacent to malls. • Retailers with large space requirements, such as warehouse clubs and hypermarkets, are often freestanding.	Lecture and Discussion	PowerPoint presentation Case study	Questioning and answering questions in class.

	IV. Other Retail Location Opportunities • Mixed-use developments, airports, resorts, hospitals, and stores within a store are interesting, if not unusual, location alternatives for many retailers.			

Lesson 7: Location site selection (chapter 8)

Chapter goals:

- To define the trade area
- To discuss factors affecting the demand for trade area
- To discuss factors affecting the attractiveness of the specific sites
- To forecast the demand for the new location

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Understand how to define the trade area for the store • Analyze the factors that affects demand for a trade area and attractiveness of a site • Be able to forecast the demand in alternative sites for locating a new store	**I. Location Decision Levels** • Retail site selection is a very strategic decision. Once a location is chosen, a retailer must live with it for many years. Even if a retailer finds the "right" neighborhood, the wrong site can spell disaster. • The location decision can be broken into three levels: region, trade area, and specific site. • A **trade area** is a contiguous geographic area which accounts for the majority of a store's sales and customers **II. Factors Affecting the Demand for a Region or Trade Area** • To assess the overall demand in a particular region/market or trade area, the retail analyst considers economies of scale versus cannibalization, the population/s demographic and lifestyle characteristics, the business climate competition from other retailers in the area, and the retailer's propensity to manage multiple stores. • Locating in a trade area outside the retailer's home country requires the analyst to examine all these factors, plus additional issues such as differences in the legal, political, and cultural environment. **III. Factors Affecting the Attractiveness of a Site** **A. Accessibility** • The **accessibility** of a site is the ease with which a customer can get into and out of it. The accessibility analysis has two stages; a macro analysis followed by a microanalysis. **B. Locational Advantages Within a Center** • Since the better locations cost more, retailers must consider their importance. • Another consideration is to locate stores that appeal to similar target markets close together. This is based on the principle of **cumulative attraction** in which a cluster of similar and complementary retailing activities will generally have greater drawing power than isolated stores that engage in the same retailing activities. This principle applies to both stores that sell	Lecture and Discussion	PowerPoint presentation	Questioning and answering questions in class.

	complimentary merchandise and those that compete directly with one another. **IV. Estimating Demand for a New Location** **A. Trade Area** • A trade area is a contiguous geographic area that accounts for the majority of a store's sales and customers. Trade areas can be divided into two or three zones called **polygons**. • The **primary zone** is the geographic area from which the store or shopping center derives 60 to 65 percent of its customers. • The **secondary zone** is the geographic area of secondary importance in terms of customer sales, generating about 20 percent of a store's sales. • The **tertiary zone** (the outermost ring) includes customers who occasionally shop at the store or shopping center. There are several reasons for the tertiary zone including a lack of adequate retail facilities closer to home, and excellent highway systems to the store or center, the store may be on the way to or from work, and the store or center is in or near a tourist area. **B. Factors Defining Trade Areas** • The store's accessibility, natural and physical barriers, type of shopping area, type of store, and competition determine the actual boundaries of a trade area. • The type of store or shopping area also influences trade area size. The difference is due to the nature of the merchandise sold and the total size of the assortment offered. • Another way of looking at how the type of store influences the size of a trade area is whether or not it is a destination or a parasite store. • A **destination store** is one in which the merchandise, selection, presentation, pricing or other unique features act as a magnet for customers. In general, destination stores have larger trade areas than parasite stores. • A **parasite store** is one that does not create its own traffic and whose trade area the dominant retailer in the shopping center determines or retail area. • The level of competition also affects the size and shape of a trade area for a particular store. Trade areas may shrink for retailers offering identical merchandise to others, and expand for retailers offering complementary goods to those carried by other retailers.			

Lesson 8: Information and supply chain management (Chapter 10)

Chapter goals:
- To recognize the role of information and supply chain management
- To understand the flow of information and merchandises between suppliers and retailers and even consumers

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Understand the activities of supply chain management and show the efficient supply chain system could impact the retail business and supplier • Understand the activities performed by distribution center • Analyze the situations in using distribution center and direct store delivery to reduce the cost of transportation and meet the merchandise requirements	**I. Strategic Advantages Gained Through Supply Chain Management** • **Supply chain management** is the integration of business processes from end user through original suppliers that provides products, service and information that add value to customers.[1] • In a simplified supply chain, manufacturers ship merchandise either to a distribution center operated by a retailer or they shop directly to stores. • Retailers have increasingly taken a leadership position in their respective supply chains. As a result of their position in the supply chain, retailers are in the unique position to collect customer purchase information customer by customer, transaction by transaction. This information can be shared with suppliers to plan production, promotions, deliveries, assortments, and inventory levels. **A. Improved Product Availability** • An efficient supply chain has two benefits for customers: (1) fewer stockouts and (2) assortments of merchandise that customers want, where they want it. These benefits translate into greater sales, higher inventory turns, and lower markdowns for retailers. **B. Improved Return on Investment** • One measure of retailing performance is the ability to generate a target return on investment (ROI). • A more efficient supply chain can increase net profit and net sales, while at the same time reduce total assets. **II. Flow of Information** • The flow of information is complex in a retail environment. • After the UPC code is scanned at the time of the customer transaction, purchase information is recorded in the POS terminal and sent to the buyer/planner . The buyer/planner uses this information to	Lecture and discussion.	PowerPoint presentation Case study	In-class presentation

	plan additional purchases and make markdown decisions. • The purchase information is typically aggregated by the retailer, and an order is created and sent to the vendor using a system called **electronic data interchange (EDI)** -- the computer-to-computer exchange of business documents from retailer to vendor, and back. **III. The Physical Flow of Merchandise -- Logistics** • **Logistics** is that part of the supply chain process that plans, implements, and controls the efficient, effective flow and storage of goods, services, and related information from the point of origin to the point of consumption in order to meet customers' requirements. • Merchandise flows from: 1. Vendor to distribution center 2. Distribution center to stores 3. Alternatively, from vendor directly to stores.			

Lesson 9: Winning the customer heart through effective CRM (Chapter 11)

Chapter goals:

- To discuss why retail business should emphasize on customer relationship management program
- To present CRM process
- To understand how the retail firm analyze the customer data in the database

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Appreciate the importance of CRM program which could raise the customer satisfaction • Discuss the effective CRM process based on the customer perspectives • Know how to analyze the customer data to design the appropriate program to capture customer mind	**Winning the customer soul** • **Customer relationship management (CRM)** is a business philosophy and a set of strategies, programs, and systems that focuses on identifying and building loyalty with a retailer's most value customers. • CRM is based on the philosophy that retailers can increase profitability by building relationships with their better customers. • Effectively managing merchandise inventory and the stores provides value and supports the primary objective of building customer loyalty. The goal is to develop a base of loyal customers who patronize the retailer frequently. **I. The CRM Process** • Retailers are now beginning to concentrate on providing more value to their customers using targeted promotions and services to increase their **share of the wallet** – the percentage of the customers' purchases made from the retailers – with these customers. • Research indicating that it now costs over six times more to sell products and services to new customers than existing customers and that small increases in customer retention can lead to dramatic increases in profits supports this change in perspective. **A. What is Loyalty?** • Customer loyalty, the objective of CRM, is more than having customers make repeat visits to a retailer and being satisfied with their experiences and merchandise they purchased. **Customer loyalty** to a retailer means that customers are committed to purchasing merchandise and services from the retailer and will resist the activities of competitors attempting to attract their patronage. **B. Overview of the CRM Process** • CRM is an iterative process that turns customer data into customer loyalty through four activities: (1) collecting customer data, (2) analyzing the customer data and identifying target customers, (3) developing CRM programs, and (4)	Lecture and discussion	PowerPoint presentation Case study	Questioning and answering questions in class.

	implementing CRM programs. Each of the four activities in the CRM process is discussed in the next sections. **II. Collecting Customer Data** The first step in the CRM process is constructing a customer database. This database, referred to as a customer data warehouse, contains all of the data the firm has collected about its customers and is the foundation for subsequent CRM activities. **III. Analyzing Customer Data and Identifying Target Customers** • The next step in the CRM process is analyzing the customer database and converting the data into information that will help retailers develop programs for building customer loyalty. • **Data mining** is one approach and is a technique used to identify patterns in data, typically patterns that the analyst is unaware of prior to searching through the data. • **Market basket analysis** is a specific type of data analysis that focuses on the composition of the basket, or bundle, of products purchased by a household during a single shopping occasion. This analysis is often used for suggesting where to place merchandise in a store. **IV. Developing CRM Programs** • The next step in the CRM process is to develop programs for the different customer segments. These include: (1) retaining best customers, (2) converting good customers into high-LTV customers, and (3) getting rid of unprofitable customers. **V. Implementing CRM Programs** • Increasing sales and profits from the CRM program is a challenge. The effective implementation of CRM programs requires the close coordination of activities by different functions in a retailer's organization. • The MIS department needs to collect, analyze, and make the relevant information readily accessible for employees implementing the programs – the front-line service providers and sales associates and the marketers responsible for communicating with customers through impersonal channels (mass advertising, direct mail, and e-mail). • Store operations and human resource management needs to hire, train, and motivate the employees who will be using the information to deliver personalized services.			

Lesson 10: Planning merchandise assortment (Chapter 12)

Chapter goals:

- To understand the term Merchandise Management
- To strategic direction on the merchandise varieties and assortments

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Define the merchandise management and its functions • Be able to apply the GMROI ratio in evaluating the merchandise performance • Manage the inventory turnover • Understand Trade-off between Varieties, Assortment and Availabilities of merchandise • Implement the merchandise planning	**I. Merchandise management** • **Merchandise management** is the process by which a retailer attempts to offer the right quantity of the right merchandise in the right place at the right time while meeting the company's financial goals. • Small and large retailers are required to make decisions about thousands of individual items from hundreds of vendors. If the buying process is not organized in a systematic, orderly way, chaos will result. • As in any business, a retailer's ultimate objective is to achieve an adequate return on the investment to the owners. This chapter shows how financial objectives trickle down the merchandising organization, and how these objectives are used to make buying decisions. • Once the financial objectives are set, the retailer starts the task of determining what to buy. Retailers are limited by the amount of money available for merchandise and the space in the store. They must decide whether to carry a large variety of different types of categories or carry fewer categories but a larger assortment within each category. The process of trading off variety, assortment, and backup stock is called **assortment planning**. • An **assortment plan** is a list of merchandise that indicates in very general terms what should be carried in a particular **II. Organizing the Buying Process by Categories** The category is the basic unit of analysis for making merchandising decisions. **A. The Category** • In general, a **category** is an assortment of items that the customer sees as reasonable substitutes for each other, such as girls' apparel, boys' apparel, and infants' apparel. Each of these categories has similar characteristics. **B. Category Management** • **Category management** is the process of managing a retail business with the	Lecture, demonstration and store visit and discussion	PowerPoint presentation	Questioning and answering questions in class Individual assignment

objective of maximizing the sales and profits of a category.

- In the category management approach, one buyer oversees every aspect of the merchandising function including developing an assortment plan, working with vendors, selecting merchandise, pricing merchandise, and coordinating promotions.

III. Setting Objectives for the Merchandise Plan

- Retailers cannot hope to financially successful unless they preplan the financial implications of their merchandising activities. Financial plans start at the top of the retail organization and are broken down into categories, while buyers and merchandise planners develop their own plans and negotiate up the organization.

- Top management looks at the overall merchandising strategy. They set the merchandising direction for the company by (1) defining target market, (2) establishing performance goals, and (3) deciding, on the basis of general trends in the marketplace, which merchandise classifications deserve more or less emphasis. Buyers and merchandise planners, on the other hand, take a more micro approach.

A. Putting Profits, Sales, and Turnover Together: GMROI

- The financial ratio that is important to plan and measure merchandising performance is a return on investment measure called gross margin return on inventory investment (GMROI). It measures how many gross margin dollars are earned on every dollar of inventory investment.

- GMROI is a similar concept to return on assets, only its components are under the control of the buyer rather than other managers.

- GMROI = Gross margin percentage X Sales-to-stock ratio

- Also, GMROI = $\frac{\text{Gross Margin}}{\text{Average Inventory}}$

- Average inventory in GMROI is measured at cost, because a retailer's investment in inventory is the cost of the inventory, not its retail value.

- GMROI combines the effects of both profits and turnover. It is important to use a combined measure so departments with different margin/turnover profiles can be compared and evaluated.

B. Measuring Inventory Turnover

- We can think of inventory turnover as how many times, on average, merchandise

	cycles through a store during a specific period of time, usually one year. It is a measure of the productivity of inventory--that is, how many sales dollars can be generated from a dollar invested in a specific merchandise. • Inventory turnover = $\frac{\text{Net Sales}}{\text{Average Inventory at Retail}}$ Inventory turnover = $\frac{\text{Cost of goods sold}}{\text{Average Inventory at cost}}$ **IV. Sales Forecasting** • An integral component of any merchandising plan is the sales forecast. A retailer needs to forecast sales to determine how much to buy. **V. The Assortment Planning Process** • Merchandise decisions are constrained by the amount of money available to invest on inventory and the amount of space available in the store. Retailers need to make strategic trade-offs between variety, assortment, and product availability. There also additional special issues that must be considered by e-tailers. **A. Variety** • **Variety** is the number of different merchandising categories within a store or department. Stores with a large variety are said to have good **breadth**. • Some stores carry a large variety of categories, while others carry a much more limited number. **B. Assortment** • **Assortment** is the number of SKUs within a category. Stores with large assortments are said to have good **depth**. • Some stores carry a large assortment, while others carry a narrower assortment. **C. Product Availability** • **Product availability**, also referred to as the **level of support** or **service level,** defines the percentage of demand for a particular SKU that is satisfied. **D. Assortment Planning for Service Retailers** • Some service retailers offer a large variety of services, while others may not offer much variety but may have an excellent assortment. For service retailers, the level of product availability is a sales forecasting issue.			

	E. Trade-offs Between Variety, Assortment, and Product Availability • The trade-off made retailers between variety, assortment, and product availability depends on their particular marketing strategy. Retail market strategy for retailers differs in terms of: (1) target markets pursued, (2) nature of the retail offering, and (3) bases upon which sustainable competitive advantage is sought to be built. **F. Determining Variety and Assortment** • The determinants for a category are: profitability of the merchandise mix, the corporate philosophy toward the assortment, physical characteristics of the store, and the degree to which categories of merchandise complement each other **G. Determining Product Availability** • Product availability defines the percentage of demand for a particular SKU that is satisfied. The higher the product availability, the higher the amount of back-up stock necessary to ensure that the retailer won't be out of stock on a particular SKU when the customer demands it. **VI. The Assortment Plan** • An **assortment plan** describes in very general terms what should be carried in a particular merchandise category. • The more fashion-oriented the category, the less detail will be found in the assortment plan because the merchandise planner requires more flexibility to adjust to fashion changes.			

Lesson 11: Buying system (Chapter 13)

Chapter goals:

- To discuss the key characteristics of different buying systems; Staple and Fashion merchandises
- To explain how the staple merchandise buying system works

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Identify the differences between major types of buying systems • Be able to apply the basic stock list as a reference to forecast the demand and of when to order the merchandises	**I. Introduction to Buying system** • While the assortment plan provides a general outline of what types of merchandise should be carried, it doesn't tell how much to buy. • Retailers use two distinct types of buying systems: (1) a staple merchandise buying system for basics, and (2) a merchandise budget plan for fashion merchandise. • Forecasting sales is much more straightforward for staples than for fashion merchandise. Since there's an established sales history for each staple SKU, standard statistical techniques are used to forecast sales. **II. Staple Merchandise Buying Systems** • Staple merchandise buying systems are used for merchandise that follows a predictable order-receipt-order cycle. Most merchandise fits this criterion. • Numerous inventory management systems for staple merchandise are currently available for both micro- and mainframe computers for retailers of all sizes. **A. What the System Does** • Staple merchandise buying systems contain a number of program modules that show how much to order and when. These systems assist merchandise planners by performing three functions: 1. Monitoring and measuring average current demand for items at the SKU level. 2. Forecasting future SKU demand with allowances for seasonal variations and changes in trend 3. Developing ordering decision rules for optimum restocking. **B. The Inventory Management Report** • The inventory management report provides information on sales velocity, inventory availability, the amount on order, inventory turnover, sales forecast, and, most important, the quantity that should be	Lecture and discussion	PowerPoint presentation Case study	Questioning and answering questions in class.

ordered for each SKU.

- The combination of having a prespecified shcedule based on the trade-off between inventory carrying and ordering costs, and the flexiblity to react to demand fluctions, helps to ensure a profitable ordering strategy.

1. **Basic Stock List**

- The **basic stock list** describes each SKU and summarizes the inventory position.

2. **Inventory Turnover**

- The planned inventory turnover, is based on overall financial goals and drives the inventory management system.

3. **Product Availability**

- Determining the appropriate planned level of producty availability for staple merchandise can be difficult and requires considerable managerial judgment.

4. **Back-up Stock**

- Back-up stock, also know as buffer stock or safety stock, is inventory used to guard against going out of stock when demand exceeds forecasts or when merchandise is delayed.

5. **Forecast**

- Sales forecasts for staple items are fairly straightforward and mechanical compared to those for fashion merchandise. Forecasting sales entails extending sales trends from the past into the future.
- Exponential smoothing is a forecasting technique in which sales in previous time periods are weighted to develop a forecast for future periods.
- The following formula takes into account the two sales forecastin objectives of being responsive and ignoring random occurences:
- New Forecast = Old forecast + α(Actual demand – Old forecast)
- The Greek letter alpha (α) is a constant between 0 and 1 that determines the influence of the actual demand on the new forecast.
- When demand is increasing or decreasing sharply, high values of alpha, such as .5, cause the forecast to react quickly. Low values of alpha, such as .1, are appropriate when demand is changing very slowly.

6. **Order Point**

- The **order point** is the amount of inventory below which the quantity available shouldn't go or the item will be out of stock before the next order arrives.

	• The order point (OP) in the periodic system is defined as: OP =[(Demand/day)(Lead time + Review time)] + (Back-up stock) **7. Order Quantity** • The planner should order enough stock should be ordered so the cycle stock isn't depleted and sales dip into back-up stock before the next order arrives.			

Lesson 12: Buying merchandise (Chapter 14)

Chapter goals:

- To understand the roles of Merchandise buying
- To be able to strategically select the merchandise branding choices
- To recognize the strategic importance of creating the relationship with vendors

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Identify the advantages and disadvantages of applying the different strategic merchandise branding choices • Illustrate the critical importance of creating relationship with vendors to sustain the competitive advantages • Demonstrate the challenges inherent in negotiating with vendors and tactics in accomplishing the win-win negotiation	**I. Introduction** ▪ Retailers must determine their branding strategy. Should they buy well-known national brands, or should they develop private brands with their own name on it? **II. Strategic brand choices** • Buyers have a lot of branding choices. They can buy manufacturer brands, or they can develop their own private labels. **A. Manufacturer Brands** • **Manufacturer brands**, also known as **national brands**, are products designed, produced, and marketed by a vendor. The manufacturer is responsible for developing the merchandise and establishing an image for the brand. **B. Private Labels Brands** ▪ **Private-label brands** (also called **store brands**) are products developed and marketed by a retailer and available for sale only from that retailer. ▪ Typically, retail buyers or category managers develop specifications for the merchandise and then contract with a vendor to manufacture it. The retailer is responsible for promoting the brand. **III. Negotiating With Vendors** ▪ A negotiation takes place any time two parties confer with each other to settle some matter. ▪ Negotiations are crucial in buyers' discussions with vendors. ▪ Guidelines for planning negotiations with vendors and tips for conducting negotiations face to face are given below. **A. Guidelines for Planning Negotiations with Vendors** ▪ Knowledge is power! The more the buyer knows about the vendor, the better their negotiating strategy will be. **1. Consider History** ▪ Buyers need to have a sense of what has occurred between the retailer and vendor in the past. **2. Assess where things are today**	Lecture and discussion	PowerPoint presentation Case study	Questioning and answering questions in class.

- Some vendors believe that once they've sold merchandise to the retailer, their responsibility ends. This is a short-term perspective.

- If the merchandise does not sell well, a good vendor will make arrangements to share the risk of loss.

3. Set goals

- The buyer could set goals in six areas: additional markup opportunities, terms of purchase, transportation, delivery and exclusivity, communications, and advertising allowances.

4. Know vendor's goals and constraints

- A negotiation cannot be successful unless both parties feel they have won. Generally, vendors are interested in a continuous relationship, testing new items, communication, and a showcase.

5. Plan to have at least as many negotiators as the vendor

- There is power in numbers! Even if the vendor is more powerful, aggressive, or important in the marketplace, the retailer will have a psychological advantage at the negotiating table if the vendor is outnumbered.

6. Choose a good place to negotiate

- From a psychological perspective, people generally feel more comfortable in familiar surroundings.

7. Be aware of real deadlines

- There is always pressure to settle a negotiation at the last minute.

- Recognition of deadlines will help a buyer come to a decisive closure in upcoming negotiations.

VI. Establishing and Maintaining Strategic Partnerships with Vendors

- Maintaining strong vendor relationships is an important method of developing a sustainable competitive advantage.

- A **strategic relationship**, also called a **partnering relationship**, is when a retailer and a vendor are committed to maintaining the relationship over the long term and investing in opportunities that are mutually beneficial to the parties.

- A strategic relationship is a win-win relationship. Both parties benefit because the size of the pie has increased – both the retailer and vendor increase their sales and profits. Strategic relationships are created explicitly to uncover and exploit joint opportunities.

Lesson 13: Retail pricing strategy (Chapter 15)

Chapter goals:

- To examine the roles of pricing in retail business; which affects the consumer behaviors
- To present strategies for selecting and implement the pricing methodologies to optimize the profit and satisfy the consumers

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Understand the importance of pricing in successful retail business • Enumerate the main pricing strategies • Be able to apply the pricing methodologies to meet the market needs • Be able to adjust the price to the changing situations	**I. Introduction to pricing** • The importance of pricing decisions is growing because today's customers are looking for good value when they buy merchandise and services. • **Value** is the relationship of what the customer gets (goods/services) to what he or she has to pay for it. **A. Everyday Low Pricing (EDLP)** ▪ This strategy stresses continuity of retail prices at a level somewhere between the regular nonsale price and the deep discount sale price of the retailer's competitors. ▪ Some retailers have adopted a **low price guarantee policy** in which they guarantee that they will have the lowest possible price for a product or group of products. The guarantee usually promises to match or better any lower price found the local market, and includes a provision to refund the difference between the seller's offer price and the lower price. **B. High/Low Pricing Strategy** ▪ With this strategy, retailers offer prices that are sometimes above their competitors EDLP but they use advertising to promote frequent sales. **II. Approaches for Setting Prices** ▪ In order to set prices to maximize long-term profits, retailers need to consider the following: (1) cost, because they want to make a profit, (2) demand, because this is what customers will pay for the merchandise, and (3) competition, because customers shop around and compare prices. Thus, there are three approaches for setting retail prices: **cost-oriented, demand-oriented,** and **competition-oriented**. • Using the **cost-oriented method**, the retail price is determined by adding a fixed percentage to the cost of the merchandise. For instance, many fashion retailers use the **keystone method** of setting prices in which they simply double the cost of the merchandise to obtain the original retail	Lecture and discussion	PowerPoint presentation Case study	Questioning and answering questions in class.

selling price.

- With the **demand-oriented method**, prices are based on what the customers expect or are willing to pay.

- With **competition-oriented method**, prices are based on competitions' prices.

III. Price Adjustments

- In the United States, retailers are relatively free to promote adjustments to the initial retail price with the hope of generating sales. These adjustments include markdowns, coupons, rebates, price bundling, multiple-unit pricing, variable pricing and some special Internet pricing.

A. Markdowns

- **Markdowns** are a reduction in the initial retail price. Markdowns are a type of second-degree price discrimination because the lower price induces price-sensitive customers to buy more merchandise.

B. Reducing the Amount of Markdowns by Working with Vendors

- Retailers can reduce the amount of markdowns by working closely with their vendors to time deliveries with demand.

- Retail buyers can often obtain **markdown money -** funds a vendor gives the retailer to cover lost gross margin dollars that result from markdowns and other merchandising issues.

IV. Using Price to Stimulate Retail Sales

- There are three strategies that could be used to increase retail sales without resorting to price discrimination.

A. Leader Pricing

- In leader pricing, certain items are priced lower than normal to increase customers' traffic flow or to boost sales of complementary products.

B. Price Lining

- In price lining, retailers offer a limited number of predetermined price points within a classification.

C. Odd Pricing

- Odd pricing refers to a price ending in an odd number, typically a nine.

Lesson 14: Retail communication mix in retail businesses (Chapter 16)

Chapter goals:

- To illustrate the importance of retail communication mix affecting the consumer behaviors
- To expand the retail branding strategy and other marketing communication strategies

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Explain the underlying issue for need of marketing communication mix • Present the implications of branding strategy affecting the customer perception toward the store • Understand strategies for developing the branding strategy • Be able to apply the retail sales promotion to boost the sales and generate store awareness • Be able to organize the communication strategic plan	**I. Introduction to communication mix** • The communication program informs customers about the retailer as well as the merchandise and services it offers and plays a role in developing repeat visits and customer loyalty. • Communication programs can have both long-term and short-term effects on a retailer's business. From a long-term perspective, communications programs can be used to create and maintain a strong, differentiated image of the retailer and its store brands. This image develops customer loyalty and creates a strategic advantage. • Retailers frequently use communication programs to realize the short-term objective of increasing sales during a specified time period. Retailers often have sales during which some or all merchandise is priced at a discount for a short time. **II. Using Communication Programs to Develop Brands and Build Customer Loyalty** • A brand is a distinguishing name or symbol, such as a logo, that identifies the products or services offered by a seller and differentiates those products and services from the offerings of competitors. **A. Value of Brand Image** • Brands provide value to both customers and retailers. • Brands convey information to consumers about the nature of the shopping experience – the retailer's mix – they will encounter when patronizing a retailer. • They also affect the customers' confidence in decisions made to buy merchandise from a retailer. • Finally, brands can enhance the customers' satisfaction with the merchandise and services they buy. • The value that brand image offers retailers is referred to as **brand equity**. Strong brand names can affect the customers' decision-making process, motivate repeat visits and purchases, and build brand loyalty.	Lecture and discussion and case study	PowerPoint presentation Case study	Questioning and answering questions in class In-class presentation

- In addition, strong brand names enable retailers to charge higher prices and lower their marketing costs.

B. Building Brand Equity

- The activities that a retailer needs to undertake to build the brand equity for its firm or its private-label merchandise are (1) create a high level of brand awareness, (2) develop favorable associations with the brand name, and (3) consistently reinforce the image of the brand.

1. Brand Awareness

- Brand awareness is the ability of a potential customer to recognize or recall that the brand name is a type of retailer or product/service. Thus brand awareness is the strength of the link between the brand name and the type of merchandise or service in the minds of customers.

- Retailers can build top-of-mind awareness by having memorable names; repeatedly exposing their name to customers through advertising, locations, and sponsorships; and using memorable symbols.

2. Associations

- Brand associations are anything linked to or connected with the brand name in a consumers' memory.

- Some common associations that retailers develop with their brand name are (1) merchandise category, (2) price/quality, (3) specific attribute or benefit, and (4) lifestyle or activity.

3. Consistent Reinforcement

- The retailer's brand image is developed and maintained through the retailer's communication program as well as other elements of the communication mix, such as merchandise assortment and pricing, the design of its stores and website, and the customer service it offers.

- To develop a strong set of associations and a clearly defined brand image, retailers need to be consistent in portraying the same message to customers over time and across all elements of its retail mix.

- Retailers need to develop an **integrated marketing communication program** – a program that integrates all of the communication elements to deliver a comprehensive, consistent message. Without this coordination, communication methods might work at cross-purposes.

III. Methods for communicating with customers

- The classification of communication methods is based on whether the methods are impersonal or personal and paid or unpaid.

A. Paid Impersonal Communications

- Advertising, sales promotions, store atmosphere, and websites are examples of paid impersonal communications.

1. Advertising

- **Advertising** is a form of paid communication to customers using impersonal mass media such as newspapers, TV, radio, direct mail, and the Internet.

2. Sales Promotion

- **Sales promotions** are paid impersonal communication activities that offer extra value and incentives to customers to visit a store and/or purchase merchandise during a specific period of time.

- The most common sales promotion is a sale. Other sales promotions involve special events, in-store demonstrations, coupons, and contests.

3. Store Atmosphere

- The store itself provides paid impersonal communications to its customers. **Store atmosphere** is the combination of the store's physical characteristics, such as architecture, layout, signs and displays, color, lighting, temperature, sounds, and smells, which together create an image in the customer's mind.

B. Paid Personal Communications

- Retail salespeople are the primary vehicle for providing paid personal communications to customers.

- **Personal selling** is a communication process in which salespeople assist customers in satisfying their needs through face-to-face exchanges of information.

- **E-mail** is another paid personal communication vehicle that sends messages over the Internet. Retailers use e-mail to inform customers of new merchandise, confirm the receipt of an order, and indicate when an order has been shipped.

C. Unpaid Impersonal Communications

- The primary method for getting unpaid impersonal communication is publicity.

- **Publicity** is communications through significant unpaid presentations about the retailer (usually a news story) in impersonal media.

- Publicity is often used to communicate with employees and investors.

	D. Unpaid Personal Communications • Finally, retailers communicate with their customers at no cost through **word of mouth** (communication between people about a retailer). **IV. Planning The Retail Communication Program** • The four steps in developing and implementing the retail promotion program are setting objectives, determining a budget, allocating the budget, and implementing and evaluating the mix.			

Lesson 15: Managing the store (Chapter 17)

Chapter goals:

- To emphasize the need for managing the store in the changing circumstances
- To discuss the role of the store management to maximize the store performance

Time Allocation: 1.5 hours

<table>
<tr><th>Learning Objectives</th><th>Brief Contents</th><th>Teaching/ Learning Strategies</th><th>Teaching Aids/ Materials</th><th>Evaluation</th></tr>
<tr><td>To enable students to

• Understand the roles of and activities performed by store management functions

• Analyze the key reasons for store management problems and discuss the solution to them

• Learn how to manage and motivate store staffs as the most important resources in managing the stores

• Recognize the importance of other store management issues like energy saving and shoplifting prevention</td><td>I. Introduction to store management

• Store managers are responsible for increasing the productivity of two of the retailer's most important assets -- the firm's investments in its employees and real estate.

• Due to their daily contact with customers, managers have the best knowledge of customer needs and competitive activity. They play an important role in formulating and executing retail strategy.

• Even in national chains, store managers are treated as relatively independent managers of a business within the corporation. Some department store managers are responsible for $150 million in annual sales and manage over 1,000 employees.

II. Store Management Responsibilities

• The responsibilities of managers are divided into four major categories: managing employees, controlling costs, managing merchandise, and providing customer service.

• Store managers increase the productivity of the store's employees by (1) recruiting and selecting effective people, (2) improving their skills through socialization and training, (3) motivating them to perform at higher levels and then, (4) evaluating and rewarding them.

III. Recruiting And Selecting Store Employees

• To effectively recruit employees, store managers need to undertake a job analysis, prepare a job description, find potential applicants with the desired capabilities and screen the best candidates to interview.

A. Job Analysis

• The job analysis identifies essential activities and is used to determine the qualifications of potential employees.

B. Job Description

• A job description includes (1) activities the employee needs to perform and (2) the performance expectations expressed in quantitative terms.</td><td>Lecture and discussion</td><td>PowerPoint presentation</td><td>Questioning and answering questions in class.</td></tr>
</table>

	C. Locating Prospective Employees • Staffing stores is a critical problem because changing demographics are reducing the size of the labor pool. • Suggestions for recruiting in a tight labor market are (1) to look beyond the retail industry, (2) use employees as talent scouts, (3) provide incentives for employee referrals, (4) recruit from minority and immigrant communities, and (5) use your storefront creatively to attract potential employees. **D. Screening Applicants to Interview** • The screening process matches the applicants' qualifications with the job description. **F. Legal Consideration in Selecting and Hiring Store Employees** • Title VII of the Civil Rights Act prohibits discrimination on the basis of race, national origin, sex, or religion in company personnel practices. **IV. Socializing And Training New Store Employees** • After hiring employees, the next step in developing effective employees is introducing them to the firm and its policies. • **Socialization** is the set of steps taken to transform new employees into effective and committed members of the firm. **A. Orientation Program** • Orientation programs are critical in overcoming entry shock and socializing new employees. • Orientation programs can last from a few hours to several weeks. **B. Training Store Employees** • Effective training for new store employees includes both structured and on-the-job learning experiences. **V. Motivating And Managing Store Employees** • After employees have received their initial training, managers must work them to help them meet their performance goals. **A. Leadership** • **Leadership** is the process by which one person attempts to influence another to accomplish some goal or goals. **B. Motivating Employees** • Motivating employees to perform up to their potential is maybe a store managers' most important and			

frustrating task.

- One method is to provide more incentive compensation, but there are others that merit attention.

C. Maintaining Morale

- Store morale typically goes up when things are going well and employees are highly motivated. But when sales are not going well, morale tends to decrease and employee motivation declines.

- Store managers could build morale by having storewide or department meetings prior to the store opening, educating employees about the firm's finances and having parties when such goals are met, etc.

VI. Evaluating Store Employees And Providing Feedback

- The objective of the evaluation process is to identify employees who are performing well and those who are not.

- Based on the evaluation, high-performing employees should be rewarded. Plans need to be developed to increase the productivity of employees performing below expectations.

VII. Compensating And Rewarding Store Employees

- This is the final step in improving employee productivity. Store employees receive two types of rewards from their work -- extrinsic and intrinsic.

- **Extrinsic rewards** are rewards provided by either the employee's manager or the firm such as compensation, promotion, and recognition.

- **Intrinsic rewards** are rewards employees get personally from doing their job well.

VIII. Controlling Costs

- Labor scheduling, store maintenance, and energy management offer three opportunities for reducing store operating expenses.

IX. Reducing Inventory Loss

- An important issue facing store management is reducing inventory losses due to employee theft, shoplifting, mistakes and inaccurate records, and vendor errors.

- Although shoplifting receives most of the publicity, employee theft accounts for about the same amount of inventory loss.

- The key to an effective loss prevention program is determining the most

	effective way to protect merchandise while preserving an open, attractive atmosphere and a feeling among employees that they are trusted.			

Lesson 16: Store layout and design and visual merchandising (Chapter 18)

Chapter goals:

- To recognize the importance of the physical evidence affecting the retail business
- To analyze the challenge of designing the store layout and design

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Major considerations in designing the store layout and design • Understand different types of store layouts and their strategic application • Understand the space planning concept used to locate the profitable items • Be able to apply the presentation techniques to build up the merchandise attractiveness • Realize the importance of other store management issues like shoplifting prevention	**I. Objectives of a Good Store Design** • When designing or redesigning a store, managers must meet five objectives. **A. Design Should Be Consistent With Image and Strategy** • To meet the first objective, retail managers must define the target customer and then design a store that complements the customers' needs. **B. Design Should Positively Influence Consumer Behavior** • To meet the second design objective of influencing customer buying decisions, retailers concentrate on store layout and space planning issues. • Customers' purchasing behavior is also influenced, both positively and negatively, by the store's atmosphere. **C. Design Should Consider Costs versus Value** • Consistent with any retail decision, the third design objective is to consider the costs associated with each store design element versus the value received in terms of higher sales and profits. **D. Design Should Be Flexible** • Store planners attempt to design stores with maximum flexibility. Flexibility can take two forms: the ability to physically move store components and the ease with which components can be modified. **F. Design Should Recognize the Needs of the Disabled – The Americans with Disabilities Act** **II. Store Layout** • To design a good store layout, store designers must balance many objectives--objectives that often conflict. • First, the store layout should entice customers to move around the store to purchase more merchandise than they may have originally planned. • One method of encouraging customer merchandise exploration is to present them with a layout that facilitates a specific traffic pattern.	Lecture and discussion	PowerPoint presentation	Questioning and answering questions in class.

- Another method of helping customers move through the store is to provide interesting design elements.

- A second objective of a good layout is to provide a balance between giving customers adequate space in which to shop and productively using this expensive, often scarce resource for merchandise.

- To meet their objectives, retailers must decide which design type to use and how to generate traffic through feature areas.

A. Types of Design

- Today's modern retailers use three general types of store layout design: grid, racetrack, and free-form.

1. Grid

- The **grid layout** is best illustrated by most grocery and drug store operations. It contains long gondolas of merchandise and aisles in a repetitive pattern.

2. Racetrack

- The **racetrack layout** (also known as a **loop**) is a type of store design that provides a major aisle to facilitate customer traffic, with access to the store's multiple entrances. This aisle loops through the store, providing access to all the departments.

3. Free-Form

- A **free-form layout** (also known as **boutique** layout) arranges fixtures and aisles asymmetrically. It is successfully used primarily in smaller specialty stores or within the departments of larger stores.

B. Feature Areas

- **Feature areas** are areas within a store designed to get the customer's attention.

- They include end caps, promotional aisles or areas, freestanding fixtures and mannequins, windows, point-of-sale areas, and walls.

III. Space Planning

- Allocation of space to departments, categories, and then items is one of the store planners' and category managers' most complicated and difficult decisions. They must answer four questions:

- What items, vendors, categories, and departments should be carried?

- How much of each item should be carried?

- How much space should the merchandise take?

- Where should the merchandise be

located?

IV. Merchandise Presentation Techniques

- To decide which method of presenting the merchandise to the customer is best for a particular situation, store planners must consider four issues.
- First, and probably most important, merchandise should be displayed in a manner consistent with the store's image.
- Second, store planners must consider the nature of the product.
- Third, packaging often dictates how the product is displayed.
- Finally, products' profit potential influences display decisions.

V. Atmospherics

- **Atmospherics** refers to the design of an environment via visual communications, lighting, colors, music, and scent to stimulate customers' perceptual and emotional responses and ultimately to affect their purchase behavior.

A. Visual Communications

- Visual communications--comprising graphics, signs, and theatrical effects both in the store and in windows--help boost sales by providing information on products, suggesting items or special purchases.
- Retailers should consider the following seven issues when designing visual communications strategies for their stores.

B. Lighting

- Lighting in a store is used to highlight merchandise, sculpt space, and capture a mood or feeling that enhances the store's image.
- Lighting can also be used to downplay less attractive features that cannot be changed.

C. Color

- The creative use of color can enhance a retailer’s image and help create a mood.
- Warm colors (red and yellow) are thought to attract customers and gain attention, yet they can be distracting and even unpleasant.
- In contrast, research has shown that cool colors, like blue or green, are relaxing, peaceful, calm, and pleasant.

D. Music

- Music can either add or detract from a retailer's total atmospheric package.

	• Unlike other atmospheric elements, however, music can be easily changed. • Research has shown that the presence of music positively affects customers' attitudes toward the store. **E. Scent** • Many buying decisions are based on emotions, and smell has a large impact on our emotions. • Research has shown that scent, in conjunction with music, has a positive impact on impulse buying behavior and customer satisfaction.			

Lesson 17: Customer services (Chapter 19)

Chapter goals:

- To recognize the importance of the customer service roles in the retail business
- To analyze the impacts of customer services toward the customer's satisfaction

Time Allocation: 1.5 hours

Learning Objectives	Brief Contents	Teaching/ Learning Strategies	Teaching Aids/ Materials	Evaluation
To enable students to • Understand the increasing importance of customer service in the retail business impressing the customers • Be able to select the appropriate customer service strategies in different retail formats • Thoroughly understand the Gap model to identify the possible problems in providing the service and design the techniques to close all those gaps to maximize the service provision performance • Realize the importance of the service recovery to reduce the customer dissatisfaction	**I. Introduction** • **Customer Service** is the set of activities and programs undertaken by retailers to make the shopping experience more rewarding for their customers. These activities increase the value customers receive from the merchandise and services they purchase. All employees of a retail firm and all elements of the retailing mix provide services that increase the value of the merchandise. • Most of the services provided by retailers furnish information about the retailer's offering and make it easier for customers to locate and buy products and services. **II. Strategic Advantage Through Customer Service** • Successful retailers differentiate their retail offerings, build customer loyalty, and develop a sustainable competitive advantage by providing excellent customer service. Good service keeps customers returning to a retailer and generates positive word-of-mouth communication, which attracts new customers. • Providing high-quality service is difficult for retailers. Automated manufacturing makes quality of most merchandise consisted from item to item. But the quality of retail service can vary dramatically from store to store and from salesperson to salesperson within a store. • In addition, most services provided by retailers are intangible – customers can't see or feel them. Intangibility makes it hard to provide and maintain high-quality service because retailers can't count, measure, or check service before it's delivered to customers. • The challenges of providing consistent high-quality service provide an opportunity for a retailer to develop a sustainable competitive advantage. **A. Customer Service Strategies** • Customization and standardization are two approaches retailers use to develop a sustainable customer service advantage.	Lecture and discussion	PowerPoint presentation	Questioning and answering questions in class.

	1. Customization Approach • The **customization approach** encourages service providers to tailor the service to meet each customer's personal needs. • Some retailers, such as Lands' End, are introducing a human element into their electronic channel. At Lands' End, customers can simply click on a button and chat – referred to as **instant messaging** – with a service provide. • At other retail stores, such as Target, several employees called **guest ambassadors** roam the store looking for customers who need assistance. **2. Standardized Approach** • The **standardization approach** is based on establishing a set of rules and procedures and being sure that they are implemented consistently. By strict enforcement of these procedures, inconsistencies in the service are minimized. • Store or website design and layout also play an important role in the standardization approach. **III. Customer Evaluation of Service Quality** • When customers evaluate retail service, they compare their perceptions of the service they receive with their expectations. • Customers are satisfied when the perceived service meets or exceeds their expectations. They are dissatisfied when they feel the service falls below their expectations. **IV. The Gaps Model For Improving Retail Service Quality** • When customers' expectations are greater than their perceptions of the delivered service, customers are dissatisfied and feel the quality of the retailer's service is poor. Thus, retailers need to reduce the **service gap** – the difference between customers' expectations and perceptions of customer service -- to improve customers' satisfaction with their service. Four factors affect the service gap: • **Knowledge gap**: The difference between customer expectations and the retailer's perception of customer expectations. • **Standards gap**: The difference between the retailer's perceptions of customer's expectations and the customer service standards it sets. • **Delivery gap**: The difference between the			

	retailer's service standards and the actual service provided to customers. • **Communication gap**: The difference between the actual service provided to customers and the service promised in the retailer's promotion program. • These four gaps add up to the service gap. The retailer's objective is to reduce the service gap by reducing each of the four gaps. **V. Service Recovery** • Rather than dwelling on negative aspects of customer problems, retailers should focus on the positive opportunities they generate. • Service problems and complaints are an excellent source of information about the retailer's offering – its merchandise and service. • Armed with this information, retailers can make changes to increase customer satisfaction. • Service problems also enable a retailer to demonstrate its commitment to providing high-quality customer service. • Most retailers have standard policies for handling problems, however, in many cases, the cause of the problem may be hard to identify, uncorrectable, or as a result of the customer's unusual expectations. In such cases, service recovery might be more difficult. • The steps in effective service recovery are: (1) listen to the customer, (2) provide a fair solution, and (3) resolve the problem quickly.			