A look at these differences between the two makes it easier to answer the next question and that is whether retail is a part of marketing or the other way round.

For answering this question, we will consider the case of 2 companies, a brand company like Arvind Brands and a Retail Company like Lifestyle. Arvind Brands, a brand company is owning brands like Lee, Arrow, Wrangler, Ruff n Tuff, Flying Machine, Excalibur etc. On the other hand, Lifestyle, a retail company has retail outlets at various places in the country. For Arvind Brands, the sales come by selling its own brands, while Lifestyle derives the bulk of its sales turnover by retailing the products & services owned by other brand companies, maybe Arvind Brands also. Thus, for a brand company, retailing is one of the many activities to facilitate its reach to its consumers, while for a retail company marketing is one of the many activities for helping it market its store to its customers. Hence, retailing is a part of marketing if looked at from a brand company's perspective and marketing is a part of retailing, if looked from a retailing company's point of view.

<u>INDIAN RETAILING-PAST, PRESENT & EXPECTED FUTURE</u>
<u>Indian Retailing-Past (Pre 1990's)</u>

Country of Shopkeepers
India has always been known as a nation of shopkeepers. In fact, there is a joke doing the rounds in UK:-
Q.) Why is it that Indians never win a football match?
Ans.) Because every time they get a corner they open up a shop, instead of shooting the football.
The joke aptly describes the adage of Indians having a shop in every nook & corner of UK.
Traditionally, India has been known for its markets. When the East India Company came to our country, the main intention was trade only. It was the riches that made the colonialism the outcome. It was the art & craft of the country which was made available at an unimaginable low cost which attracted the buyers of different countries. Even today, this heritage of India still continues.

Market for cheap goods
This encouraged the foreigners not only to buy the products of our country for their personal end-use i.e. retail but also for business, i.e. by sourcing the products from our country and retailing them in the stores abroad. Instances are abound, where a tourist in Los Angeles has bought a shirt of USD 7 in a Wal Mart store, only to find at home that its selvedge contains the label of "Made in India". This leads us to two features of our country-firstly, India being a supplier of low priced goods to the International retail companies, and secondly, Indian customers have themselves been known as primarily economy class customers falling for low priced goods. Even today, stories of Indians being ideal bargain hunters are well-known in India & abroad.

Retail sans stores & shops
Moreover, traditionally the place where the meeting point of buyer and seller, i.e. the market, was not always a brick & mortar concretized structure. It could be a big ground or a long stretch of road or maybe even an option of merchandise on wheel. Foreigners visiting our country are often charmed by the kaleidoscope of colours unleashed during a Nauchandi Mela in Meerut or a Surajkund Mela at Faridabad. Similarly, the Haats are another form of traditional markets where the merchandise was available at a place on a particular day of the week only. Even today, in many parts of the country, you may find Mangal Bazaar, Som Bazaar, Budh Bazaar etc. Similarly, you may find a vegetable or fruit vendor not waiting for the customer but instead reaching out to the customer at their colonies by way of its trusted Thela (Cart) - merchandise option on wheels. And how can we forget the patri-wala market available on the footpath.

These are all the various features of the past of Indian Retailing, but as already mentioned it is not to say that this past is non-existent.

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PLETHORA OF BRAND

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INCREASING COMPETITION

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FREQUENT REDUCTION IN PRICE OF BRANDS

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CUSTOMER EMERGES AS KING WITH MORE CHOICES

RETAIL ENVIRONMENT

The environment of any industry may be divided into 2 parts:- (a.) The Internal Environment & (b.) The External Environment.

(b) The External Retail Environment (ERE) contrary to the IRE is rarely or not at all under the control of a retail organization. Unlike the IRE, ERE is more of an influencer on a retail organization. The ERE comprises of factors like:-

(i) Political & Government Factors
(ii) Economic Factors
(iii) Social Factors
(iv) Technological Factors
(v) Environmental &
(vi) Legal Factors

These factors are much beyond the control of a Retail Organization and influences its decision making to a lot extent. Let's understand this with the help of a few examples:-

POLITICAL & GOVERNMENT FACTORS

In 1977, when the Janata Government came at the centre, a decision was taken to disallow foreign investment in Soft Drink industry. As a result of this Coca Cola, which was a established brand doing good business in India was shown the door and indigenous brands like Double Seven, Campa cola, Thums Up were introduced. Coke could not do anything but wait for the Janata Government to go in 1979, but even after that decided to enter India again only in the late eighties/ early nineties.

Speaking of more recent events, in 2009, Reliance Retail launched its retail venture with a pan India presence. While at other places, the stores came up, the company faced stiff resistance in the state of Uttar Pradesh. The state government declared that the outlets will be adversely affecting the livelihood of small kirana (grocery) stores and hence must close down. This is an example of external Political factor influencing the decisions of a retail firm.

Similarly, at a national level the FDI (Foreign Direct Investment) policy of the Indian Government prohibits direct investments by foreign players in single brand stores beyond 51%. However, in case of Cash & Carry stores (explained later on in the chapter dealing with Retail Formats), this limit of Direct Investment by foreign companies can be taken up to 100%. For example, when a foreign brand like Gucci decides to enter India, it can invest a maximum of 51% of the capital in the Indian venture.

As can be seen by these 3 examples, these political factors are beyond the control of the retailer and the retailer has to adapt their policies to suit this external factor. For example, the foreign player may adapt by either entering into a partnership with an Indian firm or entering into a licensing agreement with an Indian licensee to make its brand available into the Indian market. Similarly, Reliance could adapt by either trying to convince the U.P. government that its opening the stores will not be anti-kirana or by pulling out of the state and concentrating on promoting the sales in the other states.

This article shows very clearly that America passed through a similar stage and exhibited same adverse sentiments and fears towards modern retailers in 1938 what India is experiencing today:-

in India are limited to Gems & Jewelry & Garment Exports, Information Technology, BPO-Call Centre, Airlines, Tourism etc. Apart from these, the impact on the Indian Retail Industry is only the rub-off effect of adverse sentiments, cautious planning, lay-offs in these slow-down sectors & inflation.

Similar to political factors, retailers do not have any option but to adjust to the economic factors. For instance, the recent recession was dealt by some of the UK restaurants by offering free food & major rebates on prices to attract customers. This was done to attract the customers who had reduced or altogether stopped eating out due to loss of jobs or cuts in salaries. In the 1980s also some of the UK eateries had followed a similar strategy during recession. The thinking is that most of the customers would be too ashamed not to leave any money behind after having a meal.

While the Indian retailers were not so desperate, they did come up with new focused strategies like using sms, e-mailers pamphlets, newspaper inserts etc. to reach their specific customers for local events rather than spending more money on big newspaper advertisements. Probably to deal with the economic recessionary trends in India, Levi Strauss Pvt. Ltd (India) came up with the equal monthly installment (EMI) scheme for customers buying jeans and other products. This unique Levi's scheme worked very well. The programme in association with HDFC Bank and Axis Bank Ltd has been popular with users of their credit cards. In fact, Provogue also announced its association with HDFC Bank Ltd for an interest-free EMI scheme. Under this scheme, customers who purchase merchandise of at least Rs 1500 from any Provogue Studio outlet using an HDFC Bank credit card were able to pay the bill in three EMIs.

Thus, we see how an economic factor like recession can force the retailers to think differently and alter their retail mix elements of pricing & promotion.

SOCIAL FACTORS

While both the Political & Economic Factors are related to the government in power, social factors are related to the central player of the retail arena, i.e. the customer. The social factors relate to the social habits & behaviour of the concerned customers. It is a very important factor in the sense that it can open up vast opportunities for a new sector. This can be explained with the help of two examples-one pertaining to the nineties & the other to the 2000's.

In the early nineties, a new social trend swept the apparel industry in India. This trend involved a movement away from the fabric towards the RMG (ready made garments). A number of factors encouraged this trend. These factors were increased purchasing power with the customers, desire to show off the RMG brand that the customers were adorning & above all the convenience of going to a retail store and picking up an RMG & using it instantly, rather than buying a fabric, going to a tailor for getting it stitched, going again for trial, and then also maybe not getting satisfied with the fitting. This last factor categorically underlined the changing social trend of preferring convenience even at a higher cost. Seeing this changing trend, Raymond, whose major sales came from fabrics rather than garments, decided to pay attention to the RMG segment. They were already

USA is one country where the consumer is really considered to be the king. They have a legal binding that any product can be returned back to the retailer, within one month of the purchase of the same, no questions asked to the customer and money being returned back to him/ her. There has been a famous case where a lady bought a camera from a store, went on a vacation, used it by loading the film in the camera, got the photographs developed on her return from the vacation and returned the camera to the store before the expiry of 30 days. The retailers may feel cheated or may take it as part of the Buyer's Market syndrome, but have to comply with the legal bindings.

Recently, in India a change in the FDI rules also forced some retail players to give a thought to their strategic arrangements with their foreign partners. When Bharti (India) - Wal Mart (USA), TESCO (UK) - Tata (India) tie ups came in our country, the idea was for the Indian partner to benefit from the supply chain, inventory, softwares & infrastructure management of their foreign counterparts. For instance, Bharti –Wal Mart opened up the Cash & Carry stores in Punjab, which were selling the merchandise at wholesale prices to other retailers as well as to the Easy Day retail outlets run by Bharti. This way, the FDI rules of 100% FDI permission in Cash & Carry was also being adhered to and the retail outlet of Bharti (Easy Day) was able to source merchandise from the Cash & Carry store. Similar arrangement was also there between Tata and TESCO. However in April, 2009, the FDI rules were changed and stated that a ceiling of 25% should be adhered to for sales to the group companies, i.e. not more than 25% of the sales turnover of the cash & carry store can come from its own company's retail outlet. This change in the rules will be forcing the retail companies to think of another strategy for their retail tie-ups.

<u>What are Retail formats?</u>

As per Dave Chaffey Retail Formats "is the general nature of the retail mix in terms of range of products and services, pricing policy, promotional programmes, operating style or store design and visual merchandising……." (Source:- http://www.davechaffey.com/E-marketing-Glossary/Retail-format.htm)

To elaborate this definition further, let us consider the case of Future Group. As this group runs various retail entities, for our purpose we will consider only 3 of these retail entities, viz. Pantaloon, Food Bazaar & Big Bazaar. While all 3 stores retail various products, they are different from each, because of their merchandise (products & services being retailed), their prices, their promotions, their operations, their store layout or floor plan & their visual merchandising or the visual display of merchandise. Hence these 3 stores denote 3 different retail formats. As by Mr. Kishore Biyani, CMD, Future Group mentioned while receiving the 'international retailer of the year award' from Apex US retail body, National Retail Federation (NRF) on 16th January, 2007 "the Pantaloon Group is having presence in 27 retail formats."

Similarly, Trent, the retail arm of Tata has retail interests in different retail formats, viz. Croma, Star Bazaar & Westside. While, Westside deals with apparel & life style products like cosmetics, footwear, neckwear, home furnishing & household products, Croma transacts in Electronic Durables & Star Bazaar doles out Grocery & Non-Food products at low prices. Here again, the various retail formats of the same company are distinguished on the basis of products, prices, promotion, operating style, store design, visual merchandising etc.

better clientele compared to the ones who are coming only to shop for the generic (unbranded) goods. Thus, an independent garment retailer who is keeping generic shirts, trousers may get in touch with the wholesalers, agents or a few companies' sales offices with the purpose of dealing in their brands from his retail counter.

(c) Shop-in-shop (SIS)

SIS is a concept where a brand gets a designated space in a department store for its display and retailing. The degree of the independence available to the brand in a SIS concept varies. For instance, some brands may ask for only the space, while others may negotiate for space along with their own staff with their own uniform, separate from the rest of the department store. Needless to say, the more the brand freedom, the more the share of the retailer. When Shoppers' Stop opened its showroom in Pune at the Mumbai-Pune highway, the top floor of the department store acted as the SIS of Gautier furniture. Similarly, in the early 2000's, Shoppers' Stop at Ansal Plaza, Delhi gave a major portion of one of its floors as SIS to Modern Silk House, where the female staff operating in that section had the uniform of green sari, approved by Modern Silk House only, very different from the staff of Shoppers' Stop. These kinds of SIS serves the interest of both the brand, as they get exposure at a reputed department store, as well as the Department Store as they can exhibit the full product mix of a new range, with the operations being managed by the said brand. Usually, a SIS in a Department Store gives a look as shown in the accompanied picture.

Shop-in-shop-Notice the demarcated space provided for brands like Arrow, Van Heusen, Stori, Freelook, Allen Solly etc. in this department store, away from the other garments which are exhibited size-wise. These SIS give the concerned brands a better positioning then the other brands.

(d) **Licensing & Franchising**

A especially large specialty store which features enormous selection in its product category and in some cases retailing at low prices. Customers are drawn from a wide geographic area, pulled by the vast range of merchandise of the concerned product category. Toys R Us is such a category killer store of USA. Customers get amazed with multi-levels of this vast store devoted only to a single product category, i.e. toys. An Indian example of the same would be Nalli. We may call it a Saree Store, but what qualifies it to be a category killer store is the fact that it is a store specializing in the category of not only sarees but also only silk sarees. Although a small section in many of the outlets of this chain store are devoted to silk suits or silk fabric, primarily it is a category killer store dealing in Silk Sarees.

We also have yet another store, viz. Charagh Din, which is unlike Nalli, not a chain store, with no branches except for the Mumbai store. This store retails only shirts and hence the apt punchline "Charagh Din-The Shirts People." Located at Colaba, Mumbai and spread across an area of 10,000 sq. ft, this store offers 25,000 shirts and is an apt example of a category killer store.

(Charagh Din store at Colaba, Mumbai is a fitting instance of a Category Killer store dealing only in a single product category, i.e. shirts. Pic Source:- http://www.charaghdin.com/aboutus.aspx)

(f.) **<u>Supermarket</u>**

A departmentalized food store that emphasizes a wide range of food and related products- Sales of general merchandize are rather limited or absent. It is a store characterized by large scale operations combining volume sales, self service & low prices. This format is similar to Department Store in the form that it is departmentalized, but it is different from the same, in that while the Department Store deals with non-food (grocery) products, Supermarket deals primarily with Grocery & FMCG (Fast Moving Consumer Goods) products. However, exceptions by way of experimentation exist in both these formats. For example, TESCO, a UK based supermarket chain started showcasing T-shirts in its supermarkets and when the experiment became successful, it started giving more emphasis to this trend. Similarly, in the early 2000's, at the Pune outlet of Piramyds, a departmental store, the basement started showcasing the grocery products and when the trial succeeded, the grocery became an integral part of the department store. Some of the examples of Supermarket in India are Food Bazaar, Aap ka Bazaar, Sabka Bazaar, Big Apple etc.

(g.) **<u>Hypermarket</u>**

A hypermarket is a huge combination of economy supermarket & discount department store. It got people interested in low-prices & one-stop-shopping. While the size of a hypermarket in foreign countries may be 2,00,000 sq. ft, in India their area may range between 75,000-1,50,000 sq. ft. Wal Mart, Carrefour & Tesco are the major players around the globe who are having their presence in various countries by this format. In our country, if we take the instance of Big Bazaar, the store is divided into 2 major parts:- (i.) Food Bazaar, taking care of the economy supermarket format, dealing in FMCG,

2. Access to training:- For running their stores better, the franchisor provides training to franchisees in business practices that have been successful elsewhere.

3. Access to R&D and product development efforts:- Since the franchisor has access to large amount of funds, they can take up the R&D (Research & Development) and Product Development activities and the resulting improved merchandise is provided to the franchisees, who gain by their sales from their retail counters.
4. Savings on media, advertising, promotion etc. Most of the times, when a Franchisor puts up an advertisement, especially in the print media, the lower part of the ad. contains a list of EBO stores from where their merchandise may be purchased. As it is in the interests of the franchisors, they mention the franchisee's details also over here and the franchisee benefits from this advertising. (see the picture on the next page)

5. Advantages of brand pull:- Other things remaining the same, if one shoe store is having the Signage of ABC & Co. and another store the signage of Adidas, then a customer is more likely to visit and buy from the latter than the former. This Brand Pull advantage can be achieved by a franchisee and not by an MBO or by a retailer selling unbranded merchandise.

6. Less start-up risk:-In order to make a franchisee start and operate the retail business successfully, the franchisor provides different assistance. For instance, a company like Raymond may pay for the cost of Air-conditioning the franchisee outlet and then recover it over a period of next 3 years in equal annual installments. This way the franchisee is saved from the immediate financial burden at the time of the store launch, even before the sales have started being made.

7. Loans easily available:- Retailers find it difficult to attain loans from Banks, Financial Institutions, NBFCs and other financial bodies, but as soon as the retailer associates the name of a well-known brand as the Franchisor, they are forthcoming in providing loans, due to the profitable model existing of the Franchisor.

Having a look at these benefits, it may seem that Franchising is a bed of roses for both the Franchisors & Franchisees, but this is not so. Let us now see the possible difficulties faced by the Franchisors & Franchisees.

Potential problems for franchisor

1. Less control over day to day operations:- Since the franchisee is not an employee but an entrepreneur, so the day to day operations may not be so easily controlled as that of the company's own stores.

2. Reputation may be damaged by some franchisees:- While speaking to a senior personnel of a well-known jewelry brand, we were told that one of their franchisees was caught by the company siphoning the gold jewelry of the company and replacing it with not-so-pure gold jewelry, which was later on being sold to the customers. Although, the company immediately took action by canceling his franchise, but by that time damage has been done and in the eyes of the customers the brand had completely lost its standing.

3. Franchisee motivation may wane over time:- If the franchisee feels that the franchisor in not providing the required support then the franchisees interest may wane over time. Hence the

Location is the single most expensive fixed cost factor. This is more so in India, where the cost of location is as much as 30% of the total retail cost, compared to USA & UK, where this cost is 10-12 % of the total retail cost. Hence, deciding upon the location of a store is a very important factor as it involves a long-term heavy fixed cost to the retailer.

3. PRIME CONSIDERATION IN A CUSTOMER'S STORE CHOICE

How many times you have heard a reaction like "I would love to shop at that brand's store, but the store in that market is so much in the interior that I don't feel like going over there." or "Is that shopping mall actually having that brand's store? How in the world did I miss it?" These and many other reactions like these underline the importance of Location for a retail store. For an average customer, more often than not, the location of a store plays an important role in the selection or rejection of that store.

4. INCREASING COMPETITION MAKES BETTER LOCATIONS HARDER TO OBTAIN

The first mover advantage can't be overlooked in case of location. Consider the fact that players like Shoppers' Stop, Westside, Pantaloon, Globus, Big Bazaar, Food Bazaar etc. who entered the Indian retail scene in the early & late nineties were able to corner the best of the locations compared to the other players who entered in the 21st century. Indeed, this has been a major factor in their success while comparing them to the late entrants.

5.STRATEGIC IMPORTANCE FOR LONG TERM COMPETITIVE ADVANTAGE

This point flows from the previous point. As the early entrants enjoy the advantages of acquiring the best of the locations, sometimes at relatively very low prices, they use these locations for strategic advantage over their competitors who struggle to get an equally appropriate, if not better site than the pioneers, and that also at a constantly increasing price-tag. This gap also prompts the early innovators to enter the real estate business and use the acquired sites as a business model to make a fast buck by selling them to the laggards at a high price. Hence, these followers have to deal with the dual pressure of a not so good location but that also at a relatively higher price.

6. TRADE OFF BETWEEN GOOD LOCATION & HIGH PRICES

Although selection of the appropriate location is a prime consideration in the success of a retail store, care also need to be taken in considering the price at which this location is being taken up-either on rent or while purchasing. For at the end of it, the retail venture must be profitable and profit will elude the organization if a location is paid for more than the revenue that may be earned from it. Hence, the retailers must decide upon the location carefully, especially in today's times when the hype about the real estate artificially escalates the prices.
7. IMAGE ASSOCIATED WITH THE LOCATION

Every market/ mall/ shopping centre has an image associated with it. A brand opening up an outlet contrary to that image will adversely get effected as either the right customer will not come to that market, and even if they come, they may not shop for that product in that market. Consider the following case for this purpose:-

Types of Retail Locations

Having discussed the importance of the right location and the interested parties in a good location as well as their interests, we now move to the various types of retail locations from which a retailer may select the appropriate location for his/ her retail store.

The table above shows these locations. Let's now discuss them along with their characteristics and a few national & international examples.

1. CBD (Central Business Districts)

It is a traditional downtown business area in a city or town and is also referred to as the High Street. Due to business activity, it draws people to the area. People usually visit the area for work. It is a hub for public transportation and has a high level of pedestrian traffic. Successful CBDs have large number of residents living in and around the area. Last but not the least; a CBD is characterized with the presence of EBOs (Exclusive Brand Outlets) of the leading national & international reputed brands, as well as the major department stores of the country.

Going by this definition, lets us compare some of the CBDs of an Indian city (Delhi) with that of an American City (New York):-

DELHI:- Some of the CBDs of Delhi are Connaught Place, South Extension-I & II, Karol Bagh, Greater Kailash (M-Block) Market, Khan Market etc.

Major brands whose EBOs are present in these CBDs are:-

• Adidas	Allen Solly
• Arrow	Bata
• Benetton	Lee
• Levi Strauss	Longines
• Louis Philippe	Mango
• Manzoni	Marks & Spencer
• Nike	Park Avenue
• Parx	Raymond
• Reebok	Tag Heuer
• The Body Shop	Tommy Hilfiger
• Van Heusen	Vero Moda
• Woodland	Wrangler etc.

Since the retail revolution in India has recently gained momentum, only 2 of these CBD markets, viz. South Extension-II & Karol Bagh witness the presence of some Department Stores, such as

- Pantaloon
- Westside &
- Globus

- Growth of business district:- In the last few years what has been the growth or in the next few years what s the expected growth.
- History of the site:- Who all have been the occupants of the site and for how much period and why they vacated the site.
- Accessibility:- How easy it is to reach the site in the market/ mall
- Visibility/ Façade:- How attractive or visible is the store's façade, so that visitors to the market may not find difficult in locating the store.
- Neighbours:- Whether the neighbours are complimentary and provide synergy to the store.
- Size/ shape/ layout of the site:- The specific site being considered should have the characteristics desired by the retailer in terms of its size, shape, planned layout etc. For instance, given the choice, Wal*Mart would always like to go for a site which is having more of the space on one or two levels rather than multi-levels, i.e. with a scope for horizontal expansion rather than vertical extension.
- Location advantages within a center:- In a shopping mall, stores at the front have the advantage of easy accessibility visibility then at the back. Similarly, in a CBD stores located at the corners have the benefit of better visibility as people can see them from different angles.
- Terms of occupancy, i.e. Types of lease, Terms of lease etc.:- At the beginning of the Modern Retail revolution in India, the lease period used to be of 1-3 years. As time has passed by, it has become of 3-7 years. In countries like USA, this lease period is of 15 years. Hence, as the players gain confidence by their experiences, the lease period increases, providing more stability to the retail industry.
- Legal considerations:- A retailer must keep in mind the legal considerations associated with a site. For instance, a site owned by a single person is better than a site held by multiple owners, as the decision making is quick and a legal battle may not ensue. Similarly, it needs to be ascertained that the site should not be part of an ongoing legal complication.

<u>Types of Shopping Malls</u>

As seen in the previous chapter, there are 6 types of Shopping Malls. Let us study them one by one:-

<u>1. Regional Centre</u>

The Regional Centres provide general merchandise (mainly apparel) & services in full depth & variety. These types of malls have a single anchor store (the main store of the mall which invites maximum number of customers and sales). Most of the times, this anchor stores is a department store but in some cases it may also be a hypermarket. For instance, while the Ansal Plaza Shopping Mall at Khel Gaon Marg is having Shoppers' Stop (Department Store) as its anchor store, the Sahara Mall at Gurgaon has Big Bazaar (Hypermarket) as its anchor store. The Regional Centres have enclosed space with an inward orientation of stores connected by common walkway and the parking facility is usually in the basement area of the mall.

Apart from the above 2 mentioned names, some of the other examples of Regional Shopping Centres are Pacific Mall, EDM Mall, Metropolitan Mall etc.

2. **Planning the inventory stock**

It involves determination of stock levels necessary to meet the sales plan, i.e. planning of stock levels for all months of the year. One of the major tools used for this purpose is STO.

STO (Stock Turnover) is how many times stock is sold & replaced within a period of time, usually an year. It ensures that the amount of merchandise available is adequate to meet the sales. It is the number of times a stock is sold in an year.

Mathematically, STO is calculated by the following formula:-
STO=Net sales for the period/ Avg. stock for same period,
where Net sales= Gross Sales-Taxes &
Average Stock=all the 12 months' opening stocks/ 12 or
all the 12 months' closing stocks/12

3. **Planning the reductions**

Reductions are a means of lowering or marking down the retail price of merchandise.
Following are the major kinds of reductions:-

- **Markdowns are either promotional or permanent & they adjust the initial retail price downward temporarily or set a new retail price.**
- **Mark-up cancellations adjust the amount of mark-up that was put on an item originally, thereby lowering the retail price.**
- **Discounts are for specific groups like employees, customers, shareholders etc.**

These reductions are offered due to a number of reasons, such as:-

- **Special events**
- **Sales**
- **Clearance**
- **Old/ damaged stock**
- **Competition**
- **Buyer' errors in purchasing & pricing**

4. **Planning the mark-up (on cost)**

After planning the retail sales, inventory stock and reductions, the next step in Merchandise Planning is to plan the markup on the cost. Different industries have varying markup practices. For instance, the markup (on cost) for a fashion retailer dealing in national apparel brands is 30-35%. This means that if a retailer receives a shirt from a national brand company for Rs. 1,000, then its MRP may be Rs. 1300-Rs. 1350.

At this stage, we must understand the difference between Mark-up and Margin. Mark-up is profit expressed as a percentage of cost, while Margin is profit expressed as a percentage of price. For example, if a retailer receives a shirt for Rs. 1,000 (CP or retailer's cost price), whose MRP is Rs. 1,350, but the retailer sells it to a customer for Rs. 1,215 (SP or selling price after 10% discount), then the retailer's mark-up and margins are calculated as follows:-

6. Devise specific tactics.
7. Implementation.
8. The eighth step is one of review which takes us back to step 1.

The 8-step process, whilst being very comprehensive and thorough has been criticized for being rather too unwieldy and time-consuming in today's fast-moving sales environment; in one survey only 9% of supplier companies stated they used the full 8-step process. The current industry trend is for supplier companies to use the standard process as a basis to develop their own more streamlined processes, tailored to their own particular products.

Market research company Nielsen has a similar process based on only 5 steps : reviewing the category, targeting consumers, planning merchandising, implementing strategy, evaluating results.

Category captains

It is commonplace for one particular supplier into a category to be nominated by the retailer as a category captain. The category captain will be expected to have the closest and most regular contact with the retailer and will also be expected to invest time, effort, and often financial investment into the strategic development of the category within the retailer.
In return, the supplier will gain a more influential voice with the retailer. The category captain is often the supplier with the largest turnover in the category. Traditionally the job of category captain is given to a brand supplier, but in recent times the role has also gone to particularly switched-on private label suppliers.
In order to do the job effectively, the supplier may be granted access to a greater wealth of data sharing, e.g. more access to an internal sales database such as Walmart's Retail Link.

Governmental concerns about category management

Many governments have viewed increased collaboration between suppliers and retailers as a potential source of antitrust breaches, such as price fixing. For example the UK Competition Commission has raised their issues on market distortion in principle. They have also acted on milk price-fixing in Britain.

Category Management Association

The Category Management Association (CMA), is a professional association formed in 2004 with members that come from a broad range of strategic insights and planning functions. It connects members with category management peers around the world, is a central resource for information and best practices, and is the only group certifying companies and individual category management professionals according to recognized industry standards.

market and all the investment going down the drain. It’s precisely these reasons because of which the first step to be taken by a manufacturer is to decide as to whether to brand their product or not. This step deals with the pros and cons of branding, and based on the analysis, the company deciding as to whether they should or should not brand their manufactured product.

Following are the advantages offered by Branding:-

- Easier to process orders and track down complaints
- Brand name and trade mark provide legal protection of unique product features.
- Gives an opportunity to attract loyal and profitable set of customers
- Helps in better segmentation of market
- Helps in building corporate image.

However, there are manufacturer who state that it is not a bed of roses and branding has the following costs attached to it, which makes the product more expensive and less profitable:-

- Packaging
- Labeling
- Advertising
- Legal Protection, Registration etc.
- Risk of the brand failing

2. <u>Brand Sponsors</u>

This step explores the options available in front of those manufacturers, who do not want to brand their product. In other words, they focus primarily on the production of products and either leave branding to other organizations or take their help for branding.

<u>(a.) Manufacturer / National Brand</u> is a brand that is produced and controlled by and that carries the name of a manufacturer. Thus, our country has garment manufacturer/ national brands like Park Avenue, Parx and Color Plus by Raymond and Louise Phillip, Van Heusen, Allen Solly by Madura Garments.

<u>(b.) Distributor / Store / Retailer / Private Brands</u> are brands developed and marketed by retailers. Thus, although Shoppers’ Stop stocks, markets and owns the brands like Stop, Life, Karrots, Kashish but the manufacturers of these brands may be different. These manufacturers find the branding part to be a big hassle and supply them to Shoppers’ Stop, who then brands them and market them through their own stores.

<u>(c.) Licensed Brand</u> is a special type of manufacturer brand, in which the owner of a well-known brand name (licensor) enters a contract with a licensee to develop, promote and sell the branded merchandise. Licensed brands’ market share has grown increasingly large in recent years. The latest being, Arvind Brand being the Licensee for Tommy Hilfiger. In this case the manufacturer (Arvind Brands) gets the license from an internationally renowned brand (Tommy Hilfiger) to use its brand name, manufacture it and then market it.