RETAIL MARKETING

RETAIL MARKETING – MEANING

Retail is the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit. Retailers satisfy demand identified through a supply chain. Retail is the sale of goods and services from businesses to an end user (called a customer).

Retail marketing is the process by which retailers promote awareness and interest of their goods and services in an effort to generate sales from their consumers. There are many different approaches and strategies retailers can use to market their goods and services.

Retail marketing is the planning and process of selling goods or services directly to consumers. An example of **retail marketing** is the advertising of fashions for sale in a clothing store. An example of **retail marketing** is an in-store promotional campaign for snack foods in a grocery store during Super Bowl week.

Retail marketing includes activities of selling goods or service to final consumer for personal, non-business use. Any organization selling to final consumer, whether a manufacturer, wholesaler, retailer is doing retailing. It does not matter how goods or services are sold i.e., by person, mail vending machine, internet, mobile etc., or where they are sold, in store, on street or in the consumer home.

Retail marketing involves managing marketing activity in the retail sector. Retailing is where the purchase is intended to be consumed by customers through personal, family or household use, and involves – 1) retail stores or 2) non-store retailing. Retail stores include the large mixed retailing department and variety stores – hypermarkets, superstores and supermarkets, discount sheds, traditional speciality shops, etc.

Retail marketing is the range of activities undertaken by a retailer to promote awareness and sales of the company's products. This is different from other types of marketing because of the components of the retail trade, such as selling finished goods in small quantities to the consumer or end user, usually from a fixed location. Retail marketing makes use of the common principles of the marketing mix, such as product, price, place and promotion. A study of retail marketing at university level includes effective merchandising strategies, shopping and consumer behavior, branding and advertising. Retail marketing is especially important to small retailers trying to compete against large chain stores.

Retail Marketing Mix: The Four Ps of Retail Marketing

Retailers use various advertising and communication tools to grow awareness and considerations with future customers. Finding the right marketing mix can lead to a profitable growth and a higher return on investment. By considering the right advertising strategy retailers can persuade consumers to choose to do business with their retail brand. The fundamental approach used my modern retailers in marketing their products is the Four Ps of Retail Marketing.

1. Product:

There are two primary types of merchandise. Hard or durable goods like appliances, electronics, and sporting equipment. And soft goods like clothing, household items, cosmetics, and paper products. Some retailers carry a range of hard and soft items like a supermarket or a major retail chain while many smaller retailers only carry one category of goods, like a boutique clothing store.

The cornerstone of the retail marketing definition is the product. In the retail environment, merchandise is classified according to the category into which it falls. These categories include hard or durable goods such as appliances, furniture, electronic goods and sports equipment; food; and soft goods or consumables. Soft goods include clothing, furnishings, cosmetics, paper goods and other items with a typical life span of three years or less. For example, in a small business selling handmade crafts, the products would likely all fall under a single category.

2. Price:

Pricing is a key element to any retail strategy. The retail price needs to cover the cost of goods as well as additional overhead costs. There are four primary pricing strategies used by retailers:

i) *Everyday low pricing*: The retailer operates in thin margins and attracts customers interested in the lowest possible price. This strategy is used by big box retailers like Wal-Mart and Target.

ii) *High/low pricing*: The retailer starts with a high price and later reduces the price when the item's popularity fades. This strategy is mainly used by small to mid-sized retailers.

iii) *Competitive pricing*: The retailer bases the price on what their competition is charging. This strategy is often used after the retailer has exhausted the higher pricing strategy (high/low pricing).

iv) *Psychological pricing*: The retailer sets the price of items with odd numbers that consumers perceive as being lower than they actually are. For example, a list price of $1.95 is associated with spending $1 rather than $2 in the customers mind. This strategy is also called pricing ending or charm pricing.

v) Pricing is a major aspect of any retail marketing strategy. The price of merchandise helps to define the methods of retail marketing employed, as well as the target market, store location and retail format used to sell it. Pricing in the retail environment is based on fulfilling objectives such as covering the cost of sales and overhead, and in accordance with the four basic retail pricing strategies. These are everyday low pricing, high/low pricing, competitive pricing and psychological pricing. In a small retail business such as selling handcrafts, pricing may be based purely on the cost of sales, because overhead costs, if they exist, are minimal.

3. Place:

The place is where the retailer conducts business with its customers. The place can be a physical retail location or a non-physical space like a catalog company or an e-store. While most retailers are small, independently owned operations (over 90%), over 50% of retail sales are generated by major retailers often called "big box retailers".

The place where retail marketing occurs helps to define the process. A retail operation can be store-based retail or non-store, according to the Internal Revenue Service's Retail Industry Handbook. More than 90 percent of U.S. retail stores are small, single-store, owner-managed operations; however, these generate less than 50 percent of sales from retail stores countrywide. A definition of retail marketing includes the places where it occurs, such as in-store, online and points of sale. This also applies to non-store operations such as retail sales taking place from the business owner's home.

4. Promotion:

Promotion is the final marketing mix elements. Promotions include personal selling, advertising, sales promotion, direct marketing, and publicity. A promotional mix specifies how much attention to pay to each tactic, and how much money to budget for each. A promotion can have a wide range of objectives, including increasing sales, new product acceptance, creation of brand equity, positioning, competitive retaliations, or the creation of a corporate image.

Retail marketing relies heavily on the promotional aspect of the marketing mix, as can be seen by the number of print advertisements for consumer goods such as clothing, food and furniture. Promotions take place in both traditional media such as television, print, outdoor billboards and radio, as well as new media such as the Internet. The choice of promotional channels is influenced by factors such as the competitive retail environment, the profit margin on sales and the budget available for promotion purposes. The success of retail marketing is defined by the success of the business in selling its merchandise. Promotion may be more difficult for small businesses, because of their lower advertising budgets, but social media provides a low-cost method of promotion.

RETAIL MARKETING – SCOPE

Retailing has a very wide scope. It is one of the fastest growing industries in India and is providing employment opportunities to many people. Retailing provides employment in two ways. Firstly, it provides entrepreneurship opportunities to the people and secondly, it provides employment to so many people who cannot own the retail stores. With the increase in the purchasing power of the people and the rural reach of the retailers, the scope of retailing has increased manifold. The scope of retailing can be viewed from the two viewpoints. One from the retailer's, i.e., the entrepreneur's perspective and the other from the employee's perspective.

1. Retailer's Perspective:

From the retailer's perspective, retailing can include anything that the retailer wishes to sell. It may be goods or services. These may include goods such as mobiles, computers, electronics, readymade garments, textiles and clothing, jewellery, books, paintings, medicines, stationery, watches, or may include services such as catering, hospitality, hospitals etc. However, in certain cases permission in form of license is required to be obtained from the government. In such cases the retailer will have to comply with all the legal formalities before starting a business. For example, a license is required to operate a chemist's shop. Hence, the retailer must possess the required qualifications and hence may apply for the license.

2. Employee's Perspective:

Retailing has provided tremendous opportunities of employment. The retailers operating at a small level required small number of employees to help them in business. These employees were appointed as salesmen, cleaners, cashiers, etc. by the retailers. But with the increase in the scope of operations and the growth of retailing, there has been tremendous change in the industry. Now the retailers operate at bigger levels having separate departments for everything such as finance, marketing, advertising and sales, human resource development, etc. Hence, the retailers provide enormous opportunities to the employees.

The following are the areas where the scope of retailing can be seen from the point of view of the employee:

1. Purchase Department:

The purchase department is responsible for making all the purchases for the business. It includes the selection of the merchandise to be sold to the customers, their price range, the selection of the vendor from whom the purchases are to be made, etc. This department requires vast amount of efforts and includes a lot of paper work, telephonic conversation and travelling. The employees working with this department should be well conversed having good amount of knowledge about the industry as well as the vendors. They must be able to take quick decisions.

2. Finance Department:

The finance is the life blood of any organization. The finance department performs the functions such as making and compiling the financial records, allocation of finance to various departments, management of finance, arrangement of finance, controlling the cash flow, managing the banking as well as investments, deciding the credit allocation, etc. Sometimes a retail audit may also be conducted by the finance department.

3. Marketing and Sales:

The marketing department includes various activities such as sales promotion, advertising, public relations, etc. These activities are extremely important from the view point of reaching the customers. The marketing department is responsible for conducting extensive market research and understanding customer requirements. The people required in marketing department should be well conversant, having proper knowledge about the product, any they must be able to convince the customer to buy the products. They should also be capable of understanding the customer's requirements and act accordingly.

4. Stores:

The stores department is responsible for storing the goods. The store's manager should ensure that at every time the inventory is maintained at proper levels so that there is no shortage of goods. At the same time the department should ensure that too much inventory may cause problems of storage, obsolescence, wear and tear, etc. So the store's manager must always keep an up to date record of the inventory and ensure uninterrupted supply of materials.

5. Human Resource:

The human resource department is responsible for the recruitment, selection, training, induction etc. of the employees. Human resource is a human centric industry. The people required in this department must be able enough to understand the requirements of the people in the organization and must be able to stop the efficient employees from leaving the organization.

6. Technology in Retailing:

Retail industry in India is in a mature stage and is a very confident user or information technology. The industry is using technologies such as Electronic Data Interchange (EDI) which is used to electronically transfer the information through computers. Database Management, Data Warehousing and Data Mining are the techniques that are used to gather information about the customers and store them for future use.

Data Mining helps in customer relationship management. Radio Frequency Identification System (RFID) is used for supply chain management. The concept of e-tailing is continuously gaining ground in retailing. It includes the use of internet for selling the goods.

7. Supply Chain Management:

Supply Chain Management means managing the supply of materials, services and information along the supply chain. Managing the resources efficiently and effectively increases profitability of the business. Supply chain is managed by using information systems.

Thus, there are many areas where retailing can provide employment to the people. Therefore it can be concluded that the scope of retailing is very wide. One can engage himself as an entrepreneur or can join the sector as an employee depending upon his skills and finance, etc.

RETAIL MARKETING – IMPORTANCE

Products are created for consumption and satisfaction of the people. They should the reach people for whom they are meant for. It is the retailer who assumes the role of taking the goods to the people and delivers them to their convenience and comfort, Importance retailer is due to following role he assumes in the sale of goods.

1. Link and Communication between Manufacturer Marketing and Consumer:

A retailer functions between the final customer and manufacturer. He not only helps in selling and buying activity, but collects important information about the people, i.e., likes and dislikes of the product and important information regarding market. This will help manufacturer to design and deliver a product to the expectation of people. This will increase sale and profits and ensure higher levels of satisfaction to the consumer.

2. Benefits of a Specialist or Expert in Distribution Network:

Retailer is an expert and experienced person in distribution network. He understands the pulse of people, there likes and dislikes due to his proximity and contact with the people. He stores those products and services that people want and delivers them in size and style which the people expect Dye to his expertise and knowledge about the product and market he helps the customers to make right choice in their purchase.

3. Creates Utility and Value:

Retailer creates time, place and from utility in the distribution of goods and increases value of goods. Goods that are manufactured in bulk and large quantity are purchased in large scale by retailer and he breaks the bulk, delivers them in small packs and quantity that is required by the consumer. In this process he creates form utility. Goods are manufactured in one corner of country and they care consumed in different parts of the word. Retailer buys goods from different producers and makes them available locally to his customer and there by creates place utility. There is time gap in production and consumption. A retailer buys in advance from middlemen, stores them and sells through his shelf, whenever it is demanded. Creating these three utilities he increases value of goods and helps. The role of retailer ensures regular and continues production and consumption.

4. Comfort and Facility of Shopping:

Modern retail houses like Shopping Malls, Chain Stores and Multiplexes make shopping a pleasant experience. The environment and ambience in these Super Bazaars provide variety of facilities like kids play, entertainment, parking, lifts, trolleys to collect the goods, coffee shop etc. Retailing through internet, mobile, mail order will ensure delivery of goods to the doors of customer.

5. Service to Manufactures and Middlemen:

A retailer provides verities of services to manufacturers and middlemen by sharing customers information i.e. their likes and dislikes about the product.

6. Provision of Storage and Warehousing:

Buying in advances and storing goods in his premise minimizes problem of warehousing to manufacturer Retailer undertakes buying in advance and selling out that product. Further display and promotion of the product will increase demand and sale of product.

7. Service to Customer:

Retailer provides variety of services to customers:

i) Locates retail stores at a place that is convenient to maximum people, near to his locality or in the heart of city.
ii) Offer's variety of goods to choose from.
iii) Makes attractive presentation and placement of product for easy identification and selection.
iv) Offers monetary incentives like reasonable price, discount, offers etc.
v) Provides services like home delivery, quality assurance, offer of sale service etc.
vi) Gives knowledge and information about the product to utility and there by helps him selecting right kind of product.

8. Increase in Productivity:

Retailer ensures productivity and efficiency in distribution of goods. He shares market information with manufactures and ensures production of those goods that have demand. His policies of promotion and placement create demand for product and ensure fast turnover through quick sale. Proper logistics like transportation, warehousing will reduce damage and loss of value to the commodity. These initiatives will minimise wastage, cut down cost of operation and there by ensure efficiency and productivity.

9. Increase in Standard of Living:

Standard of living is measured by consumption of comforts and luxury goods. Retailer ensures a higher standard of living by making available variety of goods and service to the people at reasonable price. Facility, of credit and shopping within reach of common man will increase standard of living.

10. Increase in Employment Opportunities:

It is estimated that retail industry in India provides around 10% of employment. Over populous country like India which has a high percentage of Un-employment is benefited by growing number and size of retail business. Apart from this retail provides and creates job opportunities for women, as women can take better care of customer.

With growing number of educated women who aspire to be economically independent, retail provides a better job opportunity. Retail also can provide part time job opportunities for those who want to work in shifts and also pursue their study or take care of some other home assignment.

11. Increase in GDP:

Organised and developed retail system creates better demand for goods and services. It provides convenient outlet for sales. Increased sales necessitate more production that in turn increases employment of more resources in economic activities. These factors result in a higher GDP growth that is essential for economic development of a nation.

12. Retail as a Separate Branch of Study:

Growing demand for organised retail and revolutionary changes in the retail trade has resulted in retail management and market as a separate branch of study. Universities are offering courses in retail business. These further creating new opportunities in retail education and development.

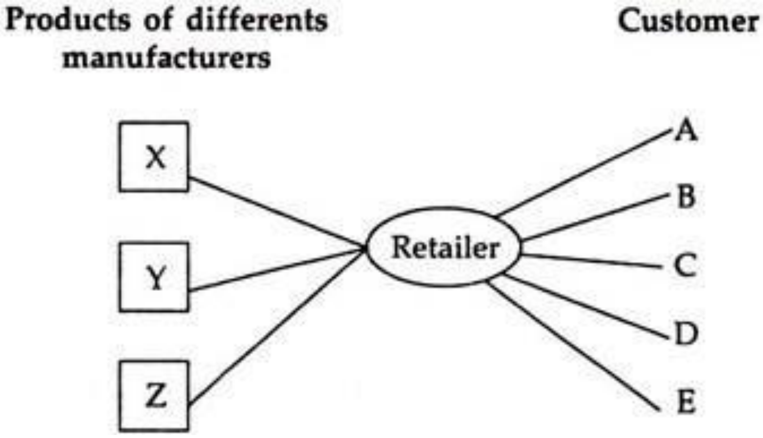
ROLE OF MARKETING IN RETAIL

Functions of Retail Marketing: Retailer undertake following functions:

1. Assembly and Sorting of Merchandise:

Retailer has to meet every need of merchandise(Goods) of common man. He has to keep wide variety of goods and service that may be demanded by the customer. Retailer collects and assembles the goods from different manufacturers or middleman. He undertakes sorting or classifying of the goods to meet the specific need of each customer.

Following figure may illustrate the activity of sorting:



Retailer has wide variety of customers who have different requirements. Retailer collects and assembles these merchandises from different sources, assorts them and keep in his shelf ready for easy identification for himself and customers. He displays product to visiting customers and ensure sales.

2. Breaking the Bulk:

Retailer buys in large quantity “RETAILS’ or cuts into small bulk or pack to match the need of each individual customer. The large bundle or bag or bulk is broken into small units of packs that is convenient for a retailer to buy and carry.

3. Holding Stocks:

Merchandise of adequate quantity is always kept in stores so that it is delivered whenever demanded. By holding ready stock, He creates Time Utility, and increases value of goods. This is an important service that a retailer is offering both to manufacturer and also to customer.

Manufacturers are relieved of creating storage and warehouse facility for the goods he has manufactured, as manufactured product is taken by the retailer. This will minimise the cost of warehousing, damage that may occur in storage period. Similarly every customer is benefited as any commodity he desires is readily available with retailer, Customer need not bother of buying the product in bulk and keeping the stock in his home.

4. Collect Market Information:

Customers come into direct and personal contact with the retailer. They share their opinion and ideas regarding the utility and value of goods and what they further expect from the goods. The retailer will share this information with the manufactures so that manufacturer can design, price and deliver the product to match the expectation of people, Common man may not be having the idea of variety of goods available.

Retailer knows the likes and dislikes of each individual customer; he can guide the consumer to buy the product that matches his taste and budget. Retailer’s knowledge about the market, i.e., types of product available, expectations of people about the product will help retailer sell those product that matches taste of customer. It helps a manufacturer to produce the product that the customer likes.

5. Marketing Functions:

Retailer will perform marketing functions like transportation, warehousing, promotion and in some cases also grading, packing and labeling etc. In absence of retailer these activities have to be carried out by manufacture themselves. Retailer undertakes the task of transporting goods that are manufactured, keeps them in his warehouse until they are demanded.

During this period he may also undertake grading, packing and labeling if they are not already done. He undertakes sales promotion campaign through various forms of Publicity and advertising to create demand for products and sells them.

6. Promotion of Product:

Promotion is an important activity in selling the product. Retailer undertakes promotion of products by giving publicity and advertisement in the local media. Placement, showcasing and window dressing of the product in his shop and showroom will make the product visible to people and it may attract them to buy it.

Since retailer has personal contact with his customers he can influence their buying behavior by suggesting the product that matches their taste. Retailer will help for demand creation for the product by offering services like free home delivery, after sale service. Discount and other offers which are important sales promotion strategies.

7. Offers Variety of Services to his Customers:

Regular retailer offers variety of services along with the sale. These may include free home delivery, after sale service, credit Retailer is a man of confidence to a regular customer. Long and regular association-ship between retailer and his customer will make them to share their personal and family related issues. Retailer may act as Friend Philosopher and Guide of his trusted customer in his routine life.

8. Risk Bearing:

A retailer by holding large stock of variety of products assumes the following kinds of risks:

i) Selling risk of all the variety that he has stocked.

ii) At some point of time some quantity will remain unsold. He has to design strategy like discount sales, offer etc. to undertake stock clearance, or else he has to suffer the loss.

iii) Damage to goods- when the goods are in his warehouse goods may get damaged due to accidents, fire, earth quake, burglary or goods may lose value due evaporation or any other cause. Every paisa of damage cannot be insured. Retailer undertakes the risk of sharing the burden of such loss.

Retail marketing or organised business of retailing has following feature or characteristics:

1. **Sale to Ultimate Customer:** Goods or service in a retail transaction are sold to final customer for consumption. There is no further re-sale of the product or service. Goods and service sold for consumption, may be for domestic or household use or industrial use are classified as retail transaction. Even sale of spare parts, equipment, machineries etc., to industrial house or business is organised are classified under retail transaction. Once the goods are sold, there should not be further sale of the product or service. It is consumed by the customer or the person for whose benefit he has purchased.
2. **Convenient Form (Quantity):** The word retail means cut size 'small piece' or break the bulk. Retailers buy in large quantity from middleman or manufactures, he breaks the bulk and sells in small quantities to match the need of customers. Goods may be repacked or delivered in small packs in convenient form which an individual can carry to his home.
3. **Convenient Place and Location:** Retailers deliver goods from a location that is convenient to the customers. In case of physical location. It may be a small store, a shop and multiplex. It may also be over the internet, through mobile or mail order business. Goods/or service are offered to the convenience and comfort of the consumer. Online shopping through internet, mobile is becoming popular with the growth of I-T and courier service. (Ex- the advertisement of pizza, on the TV is shown delivering within half hour of its order)
4. **Last Link in Chain of Distribution:** A retailer is the last link in the chain of distribution. He sells goods to final customer. He connects between middlemen and consumer acting as link between them. He is described as merchandising arm or neck, in the bottle of distribution. He acts as communicator between manufacturer and consumer. Benefits both of them by sharing necessary information that gives profit to manufacturer by manufacturing goods that are liked by the people.
5. **Organised Sale:** Retail marketing is organised business of selling to the customer by application of principles and functions of marketing. Un-organised retail like street vendor a Paanwala may not be typically classified under retail marketing.
6. **Marketing not Just Sale:** Organised retailing or retailing is not an activity of just a sale. It is a marketing activity. Consumer is offered comfort and convenience and concession in buying goods of his choice. Marketing functions like transportation banking insurance, ware housing are undertaken to create and deliver goods to satisfaction of people. Goods are designed and delivered to match the taste of people and satisfy their desire and thereby ensuring customer delight. Every marketing effort is undertaken in the sale or delivery of goods.
7. **Goods and also Service:** Retail marketing is not only connected with delivery of physical goods or merchandise like Grocery Vegetable, Electronic goods etc., it is also engaged in providing services. Now a days marketing of services is becoming an important areas like Insurance, Tourism, Hotel, Investment etc. With Globalisation process, entry of MNC's, development in the field of I-T sector has made marketing of services more popular and developing.
8. **Creation of Utility:** Retail marketing creates Form, Place and Time, utility. It breaks the large bulk size into small size and changes the form of product. Place utility is created by bringing goods from place of manufacturer to the place of consumer. Goods are stored in advance and delivered when demanded by the customer. A retailer creates these utilities and their by increases value and utility of goods.
9. **Customer Delight:** Retail marketing not only satisfies customers wants, it ensures their delight. It provides more satisfaction than what is expected through its retail network. Retail marketing collects information regarding type of product decide by them, Communicates such information to manufacturer. Product is designed to match the changing taste of customer. Retailer stores and presents such product to the people in size, style, price and other services through his store that increases satisfaction levels of people.

NETWORK MARKETING

MEANING:

Network marketing is a business model that depends on person-to-person sales by independent representatives, often working from home. A network marketing business may require you to build a network of business partners or salespeople to assist with lead generation and closing sales.

Network marketing is a type of business opportunity that is very popular with people looking for part-time, flexible businesses. Some of the best-known companies in America, including Avon, Mary Kay Cosmetics and Tupperware, fall under the network marketing umbrella.

Network marketing programs feature a low upfront investment--usually only a few hundred dollars for the purchase of a product sample kit--and the opportunity to sell a product line directly to friend, family and other personal contacts. Most network marketing programs also ask participants to recruit other sales representatives. The recruits constitute a rep's "downline," and their sales generate income for those above them in the program.

Things can get sticky when a network marketing network compensates participants primarily for recruiting others rather than for selling the company's products or services. A network marketing system in which most of the revenue comes from recruitment may be considered an illegal pyramid scheme. Since network marketing programs are usually exempt from business opportunity regulation and aren't defined as franchises under state and federal franchise laws, you'll need to do your own investigation before investing any money.

Network marketing is basically a medium of marketing that manufacturers use to expand their sales. Manufacturers use them when they have to deal with several distributors to push out their products. Sometimes, these distributors might have sub-distributors. As a result, this leads to a “network” of distributors that operate at various levels of the distribution chain. Manufacturers use this vast network of distributors to market their products to customers at various levels. This enables them to reach out to even more customers indirectly. These distributors and dealers, therefore, act as independent representatives of the company. As a result, this way the company can market their goods widely without spending more money on traditional methods of marketing, like advertising.

Multi-level marketing (**MLM**), also called **pyramid selling**, **network marketing**, and **referral marketing**, is a marketing strategy for the sale of products or services where the revenue of the MLM company is derived from a non-salaried workforce selling the company's products/services, while the earnings of the participants are derived from a pyramid-shaped or binary compensation commission system. Although each MLM company dictates its own specific financial compensation plan for the payout of any earnings to their respective participants, the common feature that is found across all MLMs is that the compensation plans theoretically pay out to participants only from two potential revenue streams. The first is paid out from commissions of sales made by the participants directly to their own retail customers. The second is paid out from commissions based upon the wholesale purchases made by other distributors below the participant who have recruited those other participants into the MLM; in the organizational hierarchy of MLMs, these participants are referred to as one's *down line* distributors.

MLM salespeople are, therefore, expected to sell products directly to end-user retail consumers by means of relationship referrals and word of mouth marketing, but most importantly they are incentivized to recruit others to join the company's distribution chain as fellow salespeople so that these can become down line distributors.

Use of Network Marketing

Manufacturers generally use network marketing in business structures that require multi-level marketing. This is because such business models involve a large network of distributors and sub-distributors. It is also of great use for distributors themselves because they can make an earning from it. Most companies like Amway and Tupperware tie-up with people who put in part-time work for this. Many women in India also become distributors and actively work with manufacturers directly.

Points To Remember:

- Network marketing appeals to people with high energy and strong sales skills, who can build a profitable business with a modest investment.
- A network marketing business can be a single-tier program, whereby you sell the products or multi-tier where you recruit salespeople.
- Beware of network marketing companies that create many tiers of salespeople and thoroughly research the company before you join.

Structure of Network Marketing (How Network Marketing Works)

Network marketing is known by a variety of names, including multilevel marketing, cellular marketing, affiliate marketing, consumer-direct marketing, referral marketing, or home-based business franchising.

Firstly, manufacturers require several distributors, sub-distributors and dealers in order to create a network marketing structure. Secondly, These distributors procure goods from manufacturers themselves at wholesale prices. They may either use them personally or they may sell them to other distributors for a profit. This chain continues further. The distributors, thus, will end up marketing goods until they reach customers or else they may become final customers themselves. Furthermore, these distributors get an opportunity to make some profits from this marketing network. They can receive some commission from manufacturers on the basis of the total volume of goods they buy and sell. Hence, the functioning of these distributors is similar to that of insurance agents. Companies that follow the network marketing model often create tiers of salespeople—that is, salespeople are encouraged to recruit their own networks of salespeople. The creators of a new tier (or "upline") earn commission on their own sales and on sales made by the people in the tier they created (the "downline"). In time, a new tier can sprout yet another tier, which contributes more commission to the person in the top tier as well as the middle tier. Thus, the earnings of salespeople depend on recruitment as well as product sales. Those who got in early and are in a top tier make the most.

SCOPE:

Multilevel marketing (MLM) is also referred as network marketing business, 'word of mouth' business or direct selling business, is a totally non-traditional and non-conventional business concept.

This always has a room for more people to occupy with at least a minimum income benefits if carried out in a systematic way. It is expanding at a much faster rate all across the globe and has a bright future. With New Year, new zeal and enthusiasm can be seen among network marketers that is giving it a strong place in the competitive market. MLM business is such an opportunity that can easily be operated in all sectors be it health, beauty, software, e commerce, nutrition or any other.

Well, direct selling business is a process of hiring direct distributors who can sell products of the company to their networking people and earn profits in return. In addition, cost of the product, the marketing plan and vital information should be known to them. This will help in promoting the products/services offered by them. Slowly but surely, it is attracting many people towards this business. The future has a lot to offer with great scope and opportunities that no one would ever believe.

ELECTRONIC MARKETING

MEANING:

E-marketing is a process of planning and executing the conception, distribution, promotion, and pricing of products and services in a computerized, networked environment, such as the Internet and the World Wide Web, to facilitate exchanges and satisfy customer demands.

E-marketing is a process of planning and executing the conception, distribution, promotion, and pricing of products and services in a computerized, networked environment, such as the Internet and the World Wide Web, to facilitate exchanges and satisfy customer demands. It has two distinct advantages over traditional marketing. E-marketing provides customers with more convenience and more competitive prices, and it enables businesses to reduce operational costs.

As businesses offer e-marketing and online shopping, customers can get market information from their computers or cell phones and buy goods or find services without leaving home twenty-four hours a day and seven days a week (24/7). They can read ads on the Web or from e-mail, get e-coupons, view pictures of goods, compare prices, and make purchases with a few clicks of their mouse, saving the time and money it would take to shop in person at a brick-and-mortar store. At the same time, ebusinesses can reduce costs in distribution channels and physical store space and thus pass the savings on to customers.

To make e-marketing effective and efficient, managers of e-businesses need to know online customer behavior, e-marketing techniques, costs and benefits of e-marketing over traditional marketing, and pitfalls and legal issues of e-marketing. A discussion of each of these aspects follows:
E-marketing is the mix of modern communication technology and traditional principles that marketers usually apply. When we talk about modern communication technology, this is electronic media, more known as the internet (in the realm of e-marketing, the terms of online marketing and internet marketing are usually interchangeable).

E-marketing focuses on marketing one's company online. One may use direct or indirect marketing features on the internet to connect your company to new customers, retain present customers, and build a brand identity.

E-marketing, through online tools and resources, can be used by a company via direct emails, blogs, SMS or text messaging, web pages, videos, banners, pictures, advertisements (like pay per click, display or social media advertising), search engine optimization, social media, affiliate marketing, and many more.

Although there are many tools used in e-marketing, one can choose to go into many or all of its activities, according to his company's goals, product types, business capacity, target market, and other criteria related to your decision-making processes.

E-marketing is important for your business because when it is executed properly, the ROI or return on investment can be greater than more traditional marketing strategies.

Retailer has to realize, whether his is a business with a physical presence or work completely online, marketing in the internet is something he has to work with and put to his advantage. This would mean that he could reach millions of people around the world. It is unsurprising, then, that businesses have been moving more and more of their marketing resources online.

E-Marketing (Electronic Marketing) are also known as Internet Marketing, Web Marketing, Digital Marketing, or Online Marketing. E-marketing is the process of marketing a product or service using the Internet. E-markerting not only includes marketing on the Internet, but also includes marketing done via e-mail and wireless media. It uses a range of technologies to help connect businesses to their customers.

Like many other media channels, e-marketing is also a part of **integrated marketing communications (IMC)**, which helps a brand grow across different channels. E-marketing has become a pivotal tactic in the **marketing strategy** adopted by companies using several **digital media** channels.

SCOPE OF E-MARKETING:

E-marketing has global applicability. It covers almost all types of business namely, agricultural, industrial, medical tourism, governance, Education and so on. There are some common applications of e-marketing as Document automation, payment systems, content management, group buying,Online banking, shopping and order tracking, Teleconferencing, Electronic tickets which have become common with large and small businesses alike. T

IMPORTANCE OF E-MARKETING

1. E-marketing can **offer more competitive prices** than traditional marketing because e-marketing reduces costs by not having to maintain physical store space and by strategically placing distribution centers throughout the country.
2. Second, because the Internet is **available 24/7**, e-marketing enables shoppers to search for product/service information and buy goods at their convenience, not just when the store is open.
3. Third, research indicates that the **cost of Internet-based promotion is one-fourth of traditional promotion**, because it does not incur the costs of paper, printing, handling, and mailing. Thus, E-marketing means reduced marketing campaign cost as the marketing is done through the internet
4. Fourth, e-marketing **enables buyers to custom-build products** such as shoes, clothes, computers, and automobiles on the Web, options often not available in stores.
5. Much better return on investment from than that of traditional marketing as it helps increasing **sales revenue**.
6. Fast result of the campaign as it helps to target the right **customers**.
7. Easy monitoring through the web tracking capabilities help make emarketing highly efficient
8. Using e-marketing, viral content can be made, which helps in **viral marketing**.

E-Marketing Principles

E-marketing includes of the main principles of traditional marketing but with a couple of differentiating characteristics. One main benefit of e-marketing is that its impacts are quantifiable.

This enables your company to work more efficiently and effectively, thus creating higher ROIs and profits. Moreover, an e-marketing strategy that has been implemented well can reach a cost effective consumer acquisition as compared to traditional marketing.

- **Increased Reach and Audience.** Due to the features of the internet, your target customers can be anywhere in the world. Different from typical marketing methodologies, the internet's advantage is that your prospects and your customers can be included in the marketing mix of your business at any time of the day, at any place in the world.
- **New Marketing Routes.** E-marketing has marketing routes that simply are not there in traditional marketing. It is not just advertising via broadcast email and search engines. New opportunities in viral marketing, social networking, and other approaches solely found on the internet offers access to customer groups that were previously unreachable.
- **Cost Effective Marketing.** Using online technologies can create a large reduction in your marketing budget. When your company precisely targets your core customers, e-marketing can usually give the most cost effective approach to raise the customer base, increase brand awareness, and keep yourself in touch with your consumers.
- **Complete Accountability.** When executed properly, e-marketing gives complete accountability for its results. Activities that are online are completely trackable since tools can precisely show your company's ROI, indicating that there is value in each cent you spend on e-marketing.

ROLE OF SOCIAL MEDIA IN RETAIL MARKETING

Social media reviews not only capture instant emotional experiences to guide shoppers, but also inform store managers. These **social media** reviews help managers to identify potential future problems and to identify optimal solutions to attract new customers, as well as retaining existing customers.

The social media has created a revolution in all the industry by improving the channel for communication. Among the many industry that have benefited with the social media, the retail sector has experienced notable advantages. The social media such as Facebook, LinkedIn, Twitter, and GooglePlus have helped to create a community that is helping the retail industry to promote the business.

Some of the main advantages of social media for retail are listed below.

1. **Direct contact:** The social media provides an environment where the customer gets an opportunity to directly contact the merchant. The queries, complaints, and enquiries can be attended easily and directly.
2. **Instant messaging:** The social media gives a constant contact which allows to pass information quickly even at any cases of crisis. The Twitter is one such application that can quickly spread the latest information within 140 characters. The other social media also help to communicate the important message quickly.
3. **Promotional activities:** The social media has become one of the best medium to promote the products and services since it can reach the public quickly. It can be used for campaigning or marketing promotion. The social network is built systematically such that the message is communicated properly.
4. **Customer loyalty:** The main advantage of social media is earning customer loyalty. The brand established by the promotion through social networks can be compelling for the customers to become a loyal customer for your products and services.
5. **Understanding market:** The social media helps to understand the success and failure of the product or services in the markets along with knowledge of rivalry market which helps to enhance the business.

Importance to mark presence: The social media reserves its importance for the retail industry since people tend to use the social networks for seeking recommendations for the products and services. So, it is highly essential for today’s retail market players to make their presence in social media too. The retailers can keep track on the needs of the customers and read their mind. The social media can be used to locate the niche market by searching using the right keywords. The retail brands can be watched for its importance in the market by following the industry conversation in the market.

The social media can be one of the friendly media for following the customers as well as get followed by the icon customers in the retail industry.

Understanding the Role of Social Media in Marketing

Social media represents low-cost tools that are used to combine technology and social interaction with the use of words. These tools are typically internet or mobile-based. A few that are probably familiar with include Twitter, Facebook, and YouTube. Social media gives marketers a voice and a way to communicate with peers, customers, and potential consumers. It personalizes the "brand" and helps you to spread your message in a relaxed and conversational way. The downfall of social media, is that it must be a part of your everyday life to keep the momentum and attention you need for it to be successful. These days, everyone from small business owners to some of the biggest companies in the world are using social media to spread the word about their brands, products, and services.

Companies That Use Social Media

Absolut Vodka - Online Video on YouTube and using Facebook to house their Top Bartender fan page.
BMW - Utilizing Facebook to promote their 1-Series Road Trip and they have created a Rampenfest Page for fans.

Dunkin Donuts - That's right, they've found value in social media and have set up a microblogging Twitter account.
Donald Trump - In our examples, we can't leave out President Trump. He has taken the use of Twitter to a whole new level. He has dictated policy, influenced the stock market, and generally used Twitter as a way to communicate directly to the people, going around the traditional news media.

Adult beverage companies, exotic automobile manufacturers, pastry shops, and President using social media tools. It's not too hard to see that there is something to it.

What role should it play in marketing?
Marketing is a tool we use to inform consumers about our products, who we are, and what we offer. Social media does that. Here is how:

- One can use social media to provide an identity to who we are and the products or services that they offer.
- One can create relationships using social media with people who might not otherwise know about theor products or service or what our companies represent.
- Social media makes one "real" to consumers. If one wantd people to follow him, don't just talk about the latest product news, but share your personality with them.
- One can use social media to associate ourselves with our peers that may be serving the same target market.
- One can use social media to communicate and provide the interaction that consumers look for.

Social media carries with it a lot of value, but how to do it right?

- One cannot just depend on social media; one must integrate it with other vehicles of marketing. While social media will create awareness, no one is convinced that in the beginning it will sell a million dollars worth of product. That's not to say that one day once one will built up his social media "stardom" that it won't, but it probably won't happen tomorrow.
- Be yourself, reflect personality. There are no written "right" or "wrong" rules when it comes to social media; only you can determine what will work for you.
- Be consistent, if you do not plan on being consistent don't do it at all - it's a waste of everyone's time.

Success stories are abundant when it comes using social media from headhunters that find job applicants to new businesses that want to introduce a new product as well as already established Fortune 500 companies that want to strengthen their brand. The role of social media in your marketing is to use it as a communication tool that makes you accessible to those interested in your product and makes you visible to those that don't know your product. Use it as a tool that creates a personality behind your brand and creates relationships that you otherwise may never have gained. It creates not only repeat-buyers but customer loyalty. The fact is, social media is so diversified that it can be used in whatever way best suits the interest and the needs of your business.

RETAIL MERCHANDISING

MEANING OF MERCHANDISING

Noun – the activity of promoting the sale of goods, especially by their presentation in retail outlets.

Merchandising is the promotion of goods and/or services that are available for retail sale. Merchandising includes the determination of quantities, setting prices for goods and services, creating display designs, developing marketing strategies, and establishing discounts or coupons. More broadly, merchandising may refer to retail sales itself, that is the provision of goods to end-user consumers.

Cycles of merchandising are specific to cultures and climates. These cycles may accommodate school schedules and incorporate regional and seasonal holidays as well as the predicted impact of weather.

Merchandising can take on different and more specific definitions in regard to different aspects of retail sales. For example, in marketing, merchandising can refer to the use of one product, image or brand to sell another product, image, or brand.

Since retailers may or may not be producers of the goods they sell, measuring the gross value of all sales provides insight into the company's performance. This is especially true in the customer-to-customer market, where the retailer serves as a third-party mechanism for connecting buyers and sellers without actually participating as either.

Merchandising may also provide value to retailers in the consignment sector, as they never officially purchase their inventory. Even though the items are often housed within a company's retail location, the business functions as the authorized reseller, often for a fee, of another person's or entity's merchandise or property. Generally, they are never the true owner of the items, as the person or entity that placed the item on consignment may return and claim the item if they so choose.

EVOLUTION OF MERCHANDISING

In many ways the job of the merchandising team is comparable to Olympic gymnasts who spend years perfecting routines that include double back flips with one and a half twists. Then a new competitor arrives and begins executing triple back flips with two and a half twists, which raises the bar for everyone. Like the gymnast, the merchandising team's job was already complex, but thanks to the addition of mobile and social channels in retailing it has had to raise its game to a new level.

Something to keep in mind when listening to the current buzz about mobile/social media is that buzz is not a business process. This is relevant because merchandisers are the most business process-focused executives in retail.

Even at this early stage it is clear that mobile/social media are useful tools for retailers, because they provide insights into the buying habits of shoppers and their reactions to products. This knowledge can be used to create assortments that are targeted to well defined customer segments, which then allows retailers to shift from store clustering to local groupings based on customer segment analysis.

But one of the big challenges merchandisers face is getting the information into two formats they can use: 1. Natural language reports showing shopper sentiment and preferences, and 2. Digital databases that can be imported into business intelligence (BI) tools.

When this happens, mobile/social analytics can be plugged into the earliest phases of the merchandising process, and help retailers create assortments that are driven by demand signals from the bottom up instead of pushed from the top down.

The impact of this shift will affect everything from setting product strategy to defining assortments, from supply chain management to creating marketing campaigns, and ultimately to adding direct shopper insights to the inevitable project post mortems.

Before mobile/social data becomes ubiquitous in merchandising, one final hurdle will have to be overcome: that its real-time nature is basically antithetical to the way merchandisers work. Merchandisers require a lot of lead time and the immediate nature of mobile/social data is only as good as the last report.

But new ways to compete are emerging in the way retail merchandisers operate, and Olympic-level performers will use them to raise the level of their game. It was never easy win a gold medal in a competitive environment and now it is getting even harder.

FACTORS AFFECTING THE RETAIL MERCHANDISING FUNCTION

Retail merchandising consists of the planning, buying and selling of goods and products that retailers will then sell to their customers. It's a critical part of successfully managing both in-store and eCommerce operations, yet it's also one of the most challenging and least understood aspects. Each part of the merchandising equation – planning, buying and selling – needs to be carefully executed, or the retailer may end up losing profit margins and not utilizing product properly.

There are four critical factors that influence merchandising functions and processes. Retailers must consider all four elements as they plan their merchandising initiatives – it's pivotal that they remember that merchandising does not function in isolation.

1. Size of the retail operation

How big is the retailer in question? Is it a small operation with a single eCommerce website, or is it a major retail conglomerate with stores worldwide and websites in every language? As one would expect, these two dramatically different businesses would have vastly different retail merchandising approaches.

First and foremost, merchants should determine who is in charge of merchandising tasks. In a small retail operation, the owner might take the helm for this responsibility. However, as merchants expand into different departments, stores and even brands, product management becomes more complex and the number of people involved in inventory purchasing will likely grow.

There are other factors involved as well. For example, a multi-store chain may opt to have buying processes done at a regional or local level, or have all stores stock product based on national trends. Individual purchasers at stores may have more say or less, depending on the size of retail operations. Size of the store is a critical element that needs to be considered in the merchandising process.

2. Separation of duties

Separation of duties is common in mid-size and large retail operations. Often, buying, planning and selling may be separate tasks and responsibilities for a variety of reasons, from security to specialization.When the same person isn't taking care of all three parts of the merchandising equation – buying, selling and planning – retailers need to consider how that could impact overall merchandising efforts. Of course, smaller merchants are likely to put all these duties on a single person, so it's crucial that merchants take into account who is doing what at their companies.

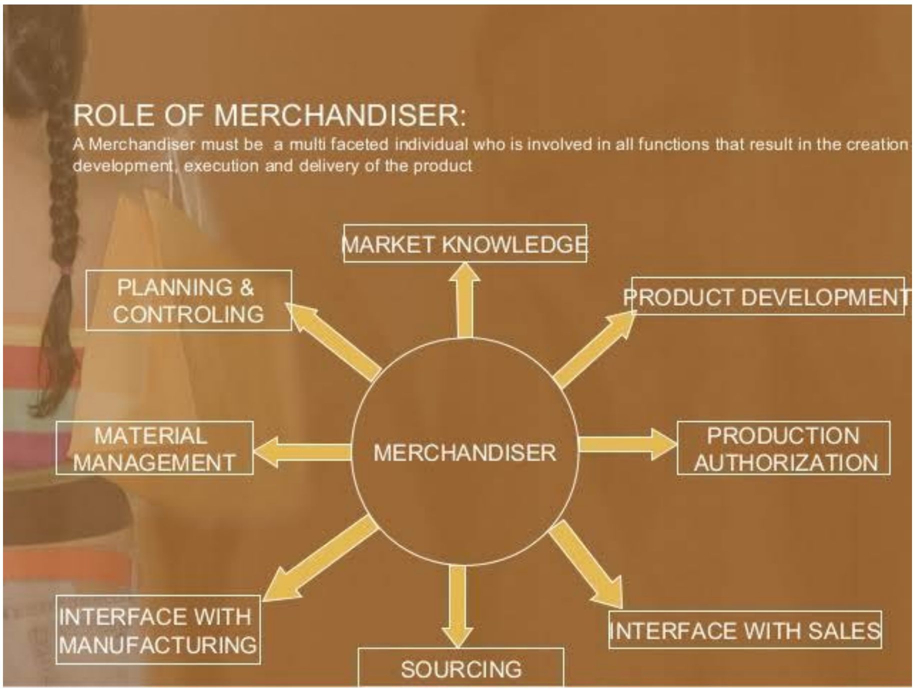
3. Shopping channel

Another key consideration of merchandising is the shopping channel. Nowadays, consumers have a number of options when it comes to how they want to shop – online, through television, in-store, via mail catalogs, etc. While merchants should offer all of these options to customers, it's pivotal they have the merchandising strategy in place to support this initiative. For example, mail order catalogs need to be planned well in advance, because production of these materials can take weeks or even months depending on the quantity needed. On the flipside, web-based initiatives can be executed in near real-time.

For many merchants, filling a niche is important. Whether retailers are known for low prices, unique products or any other trademark, it's important that they take into account how channel can impact merchandising efforts.

MERCHANDISER ROLE AND RESPONSIBILITIES

ROLE:



RESPONSIBILITIES

- Plan and develop merchandising strategies that balance customers' expectations and company's objectives
- Analyse sales figures, customers reactions and market trends to anticipate product needs and plan product ranges/stock
- Collaborate with buyers, suppliers, distributors and analysts to negotiate prices, quantities and time-scales
- Maximise customer interest and sales levels by displaying products appropriately

- Produce layout plans for stores and maintain store shelves and inventory
- Forecast profits/sales and plan budgets
- Monitor stock movement and consider markdowns, promotions, price changes, clear outs etc
- Build constructive customer relationships and team with channel partners to build pipeline and close deals
- Remain up to date with industry's best practices

SECTION	STEP-WISE JOB RESPONSIBILITIES
DEVELOPMENT & COSTING	1) Reviewing the development packs once received from buyer. 2) Put the developments into work with product development team. 3) Clarify all necessary info with buyer as much as possible. 4) Follow up on the delivered sample deadline. 5) Work out the initial costing (all costing must be checked by merchandising manager) 6) Price negotiation with buyer. 7) Follow up with buyer regarding the feedback of the sample and costing
ORDER CONFIRMATION	1) Quoting the delivery dates to buyer after checking factory's capacity situation. 2) Checking all the details in the order sheet once received from buyer. 3) Communicate with buyer regarding any discrepancy in the order sheet. 4) Passing the correct order sheet to all concerned department i.e. planning, production, commercial etc.
SAMPLING	1) Updating production development team regarding different sample requirement of buyer at various stage (sales man, fit ,size set, pp sample etc) 2) Coordinating all fabric + trims which are required for sampling purpose. 3) Coordinating print, embroidery, wash for sampling. 4) Checking all the technical aspects of samples before releasing to customer. 5) Checking all the aesthetic aspects of samples before releasing to customer 6) Checking the quantity requirement of each sample. 7) Checking the necessary paper work of reach sample. 8) Follow up the buyer regarding each sample comments.

MEANING AND DEFINITIONS OF

1. MARKDOWN

Noun – a reduction in price, usually to encourage buying.
the amount by which a price is reduced.
"markdowns of up to 50 per cent on many items"
a lower price on an item than it was previously being sold for

A promotional tool in the form of a document or electronic graphic that can be redeemed for a discount when purchasing goods or services. Coupons are generally issued by manufacturers or retailers to the consumer and may be distributed through direct mail, apps, social media or other marketing means. A coupon will feature a specific savings amount or other special offers to persuade consumers to purchase specific goods or services or to purchase from specific retailers.

2. COUPANS

Coupons have become an important and required part of retail. Customers are demanding them now from every retailer. Coupons were originally created as a tool for manufacturers to direct the purchase decision of a customer in a retail store. For example, if you were a manufacturer of crackers, you would create a coupon for your crackers to direct the customer to your product since the retail store may have six or seven different cracker lines. So in other words, you create a "sale" on your item as a manufacturer.

And the retailer loves it because the customer gets the discount and the retailer is reimbursed by the manufacturer when the coupon is turned in.

In today's social media-driven world, coupons can be delivered easily and can even be stored on the customer's mobile device for redemption. Apps like Groupon and Retailmenot and Yowza!! or Coupon Shirpa have become incredibly popular with customers. They store coupons digitally and allow customers instant access. In fact, many apps (even the free ones) will alert you when you come within the vicinity of the retail store.

The beauty of coupons is that they bring value to your brand while protecting your margins. For example, if you run a sale on shoes in your store at 20% off, then every pair of shoes you sell will be 20% off reducing all of your margins by 20%. However, if the only way to get the 20% off was with a coupon, then only those shoes would be discounted. A huge impact on your margin.

Here are some tips for successfully using a coupon in retail store marketing:

- **Always have an expiration dat**e. First, it creates a sense of urgency for the customer. Second, it protects stores exposure. Stores do not want a coupon from two years ago showing up.
- **State limitations clearly**. People hate fine print, so don't hide it. Also, make sure to use this term "may not be combined with any other offer." One of the biggest coupon mistakes retailers make is not considering this limitation. Without it, it allows the customer to "stack" multiple coupons in an offer and even use them on an already reduced sale item.
- **Make the number the biggest**. Coupons have to compete for customer's attention just like all other marketing. The number or offer should be the biggest part of a coupon. That is what customers want to know.
- **Make it easy**. Too many coupons have so many exclusions or require the customer to jump through hoops. If a coupon is a chore to redeem, the customer experience is sacrificed, and coupon will do more damage than good.
- **Make sure all your employees are aware and ready**. Train the employees. Make sure the first time they see the coupon is not when the customer shows it to them.

The bottom line on coupons, they are a terrific tool. Customers want them, and you should use them. But make them a pleasant experience. Make them something that tells the customer you *want* them to use them. Redeem them gladly and with a smile. Never make the customer feel like they are doing something wrong by using a coupon.

In marketing, a **coupon** is a ticket or document that can be redeemed for a financial **discount** or rebate when purchasing a product. Customarily, **coupons** are issued by manufacturers of consumer packaged goods or by **retailers**, to be used in **retail** stores as a part of sales promotions.

3. REBATE

A **rebate** is an amount paid by way of reduction, return, or refund on what has already been paid or contributed. It is a type of sales promotion that marketers use primarily as **incentives** or supplements to product sales. ... **Rebates** are offered by either the **retailer** or the manufacturer of the chosen product.

Rebates, widely known as refunds, are a popular tool used by businesses to promote their products and services. Rebates are distinct from coupons and other forms of discounting in that they reimburse a customer for part of the purchase price following, rather than at the time of, the sale. By offering consumers cash back on the purchase price, rebates provide an incentive to buy a particular product.

Example: On the occasion of its 80th anniversary Tangs a women's apparel company is providing 12% rebate offer on its product purchase of worth 5000 or above. So if you are buying an exotic Gown worth 10000 rupees. After buying that gown, you will be entitled to get a cashback, check etc. of 1200 rupees.

A relatively new method of promotion, rebating evolved from the marketing technique of offering coupons. They were initially offered by producers of grocery-store goods and subsequently by manufacturers of nonfood items. Currently, businesses making use of rebates are diverse and include the manufacturers of health and beauty aids, household supplies, and small and large appliances, as well as automakers, wine and liquor manufacturers, and segments of the computer industry. The cash amounts these companies offer their customers is similarly wide-ranging; some rebates of less than a dollar are offered, while other rebates on "big ticket" items such as automobiles have reached several thousand dollars. The size of the rebate offered depends on the base retail price, the nature of the product being promoted, and the number of goods backed up in the production pipeline.

Rebate is a sales promotion technique in which certain part of the purchase amount is returned to the buyer by the seller. It is usually given on the purchase of a certain quantity or value, product and for a limited period of time. It should not be confused with discounts that is deducted from your purchase amount in advance of payment whereas rebates are given only after the payment of full purchase invoice amount.

Rebate is basically a sales promotion method that marketers use to drive sales in the growth phase of the product when there is a competition between various brands to acquire large market share. It is also used to drive the sales of relatively less successful models of a particular product. It also provides marketers with the customer's information that can be used for marketing purpose, data mining, or studying the consumer behaviour.

It can also be seen as a tool to keep the price of the products constant, for example during festive period offer, marketers can drive sales by providing rebate rather that reducing the price of product. Because of this the price of the product remained constant before and after festive period and thus saved the firm from negative backlash.

Rebate programs can be of many types: One of the most popular rebate is Mail in Rebate in which the entity offering rebate requires you to send the bar code of the product purchased, certain verified coupons, receipt to the firm or retailer offering rebate in order to receive the cheque or credits of particular amount. In certain case though, rebates may be given instantly after the purchase in the form of checks, loyalty card with points that can be spent immediately or within a certain period of time.

There is also a common complaint against rebate that it can be used often as a price discrimination tool against the less educated, lower class people who are less likely to redeem the rebate than a more educated middle class.

How Rebates Work

A rebate is created when a manufacturer offers a rebate to all who purchase its product. Typically the offer carries an expiration date of six to eight months. The purchaser completes a form provided by the manufacturer and mails it—along with any other items the manufacturer may require, such as a cash-register receipt or the Universal Product Code (UPC) snipped from the packaging—to the address specified on the form.

Most commonly, the purchaser sends the rebate form and related "proof of purchase" items not to the manufacturer but to one of several large clearinghouses hired by the manufacturer to handle these transactions—for instance, the Young America Corporation in Minnesota or the Nielson Clearing House in Texas. The clearinghouse then processes the form and sends the purchaser a check in the manufacturer's name, usually within four to eight weeks from the time the purchaser mails in the required information.

Companies use a number of means to get their rebate forms into the hands of customers. Many companies supply a pad of tear-off rebate forms to the stores selling their products; others print the form directly on the packaging or on a tag hanging from the merchandise. To announce the rebate offer and distribute the forms, companies may also place advertisements in newspapers and magazines, utilize home mailers, and/or place ads in the myriad refunders' newsletters developed by consumers to avail themselves of these offers. In addition, companies frequently use television and radio advertisements to publicize their rebate promotions. Finally, there are several Internet sites that direct consumers to rebate offers, such as myRebates.com and CyberRebate.com.

Pros and Cons

Rebates are highly attractive to most consumers. They provide a partial and tax-free cash reimbursement for their purchases; the Internal Revenue Service views rebates as a reduction in the price paid for a product, rather than as income. And for manufacturers, rebating provides numerous advantages: it induces prospective customers to try their products; it boosts company sales and visibility; it relieves problems of excess inventory; and it attracts interest from retailers, who often help promote the offer and expand the shelf space allotted to the manufacturer's goods accordingly. Rebate promotions can thus help a company increase its leverage with retailers and develop brand loyalty and repeat business among consumers over the long run. Indeed, a study conducted by United Marketing Services (UMS) found that rebates are an effective means of establishing product awareness with consumers. In addition, the information consumers provide on rebate forms can be used to target future promotions.

As rebates have increased in popularity, however, several common problems have emerged. For example, many companies have experienced problems honoring their rebate offers, largely due to an inability to keep up with demand. In fact, some companies offer rebates with the knowledge that only a small percentage of consumers bother to take advantage of them. Collecting on a rebate takes some trouble and concentration; consumers are forgetful, mislay the rebate coupon or the proof of purchase, and thus pay a bonus for the product. Companies relying on such probabilities sometimes fail to anticipate the level of interest the product or the rebate may generate; they plan rebate processing poorly, produce long delays, lose good will—and may even run out of money.

Due to the frequent mix-ups and delays in processing rebate submissions, some consumers now tend to view rebate offers as a sleazy marketing tactic. This means that fewer consumers will base their purchase decisions on the availability of a rebate. Experts note that consumers can increase their chances of receiving rebates due by sending all the documentation requested in the rebate offer; keeping copies of all forms and receipts; checking on the status of overdue rebates with the company; and reporting any problems to the Federal Trade Commission, the Better Business Bureaus, or the state attorneys general. Finally, experts advise consumers to never buy anything just for the rebate.

4. PRICE BUNDLING

In a **bundle pricing**, companies sell a package or set of goods or services for a lower **price** than they would charge if the customer bought all of them separately. ... Pursuing a **bundle pricing** strategy allows you to increase your profit by giving customers a discount.

Price bundling is combining several products or services into a single comprehensive package for an all-inclusive reduced price. Despite the fact that the items are sold for discounted prices, it can increase profits because it promotes the purchase of more than one item.

Examples: Detergent and dryer sheets, New phone with a data plan, Bake at home pizza and a large soda, Deeper Insights

For example, mobile phone retailers frequently bundle the prices of several products and services together for their new customers. They offer the phone itself with a package that also includes the 2-year phone plan, internet access, and phone charger. This bundle benefits the customer because it provides them with all the tools they need for their phone all at once and it benefits the mobile phone retailer because they are selling the customer supplementary products and services other than just a phone.

The main appeal to sell things in a bundle is that you can introduce new or complementary products packaged with a consistent high seller. Many businesses do this to try to promote new products and get customers intesrested enough to buy more.

The willingness of consumers to pay can, at times, be quite volatile. With bundle pricing, the seller lowers the variance on this willingness to pay and increases its profit by selling bundles of products instead of selling all products separately. Moreover, the seller makes bundles in order to fulfill a specific need of its customers: the bundle fits a unit of need and therefore it becomes more pertinent for the consumer to purchase it.

MULTIPLE UNIT PRICING

Offering a lower price per unit for the purchase of two or more products of the same type when bought together than when units are bought singly.

Multiple pricing, or **multiple unit pricing**, is a **pricing** scheme that specifies the item **price** for **multiple units**. A typical example of **multiple pricing** is an item that sells at 4 for $1.00. In this example $1.00 is the **multiple unit price** and 4 is the **multiple unit** quantity.

MALL MANAGEMENT

MEANING AND DEFINITION OF MALL

Noun – a large enclosed shopping area from which traffic is excluded.
(also **shopping mall**)

a large, usually covered, shopping area where cars are not allowed:

A **shopping mall** is a modern, chiefly North American, term for a form of **shopping precinct** or **shopping center** in which one or more buildings form a complex of shops with interconnecting walkways, usually indoors.

Definition of Mall

- an alley used for pall-mall
- a usually public area often set with shade trees and designed as a promenade or as a pedestrian walk
- a usually paved or grassy strip between two roadways
- an urban shopping area featuring a variety of shops surrounding a usually open-air concourse reserved for pedestrian traffic
- a usually large suburban building or group of buildings containing various shops with associated passageways

EMERGENCE OF MALLS IN INDIA

It's been two decades since organised retail came up in India. In the early phase of development, it was just restricted to plaza culture. The modern Indian retail industry has gone through a plethora of changes to attain the stature that it has now.

The organized retail trend started in India in 1999 with the launch of its first ever mall called "Ansal's Plaza" in Delhi, which was followed by "Crossroads" in Mumbai & "Spencer Plaza" in Chennai. Until the end of 2002, only three shopping malls existed in India. Post 2003, mall culture started multiplying in the metro cities. Metro cities like Mumbai, Bangalore, Kolkata, Chennai readily accepted the mall culture and the trend begun to catch on extremely fast.

Recession in 2008

The next half a decade went well for the Retail-Real Estate synergy. The year 2007-08 saw huge growth rate in mall space coming up all over the country. India was hit by recession in the dusk of 2008 which in-turn hit the retail sector as well. Mall culture witnessed a slow down and mall mania became mall trauma. The tide had truly turned low for developers and retailers, who had blindly jumped into the mall business without understanding the demographics and demand. From Gurgaon to Ahmadabad, consumers were walking out of malls.

However, every cloud has a silver lining. The downtrend taught Indian developers and retailers a lot. They started inputting more expert knowledge into the making of mall. They realized that the conceptualization of a shopping mall was not like building a residential or commercial tower and professional assistance became essential. Multiple floors, high vacancy rates, non-viable locations and poor commercialization contributed in this catastrophic story which were all done away with. The waters changed again and this time in favour of realtors and retailers.

The mall culture that was formed from 2011 onwards was something that India had never seen before. Retail – Real Estate synergy started seeing its uptrend in Metro cities from 2012 onwards. Consumers outlook towards the mall had changed from just an entertainment centre to actual shopping centre over the period of a decade.

The E-Commerce Threat

With the advent of e-commerce in 2014, realtors (malls) again started anticipating a threat. Though they didn't get cold feet, they did start strategizing – having learnt from past mistakes – thinking of more and more creative ways to retain spending customers.

Around this time when shopping malls were struggling to escape the vice like grip of the economic slowdown and survive the onslaught of e-commerce firms. The winds changed direction once again and malls became all-the-rage. Today, Select CityWalk is clocking sales of Rs 2,750 per square foot per month, High Street Phoenix does about Rs 2,200 and Express Avenue, about Rs 1,400. A mall is considered to be performing good if its average sales is between Rs 900 –1,500 per square feet per month.

Mall Management

One of the factors that is critical to the success of malls is mall management. Malls must go that extra mile to cater to every need of their customers. Thus the need for managing malls effectively and efficiently through SOPs (Standard Operating Procedures), is becoming the urgent need of the society and business as a whole.

Now, mall managers must strive for effective operations and maintenance of the entire building, infrastructure; including the services and utilizes and ensure that they are used in a way that is consistent with the purpose for which they were built. Further, mall management also helps in finding the right kind of tenants, while leasing out space to tenants. Mall management has been identified as a critical factor for the success of malls and the retail industry across the world.

Mall management broadly includes mall positioning, zoning, tenant mix, promotions/marketing and facility/finance management.

Mall Layout & Customer Walk Flow Management

Another important factor to be considered is the Mall Layout & Customer Walk Flow Management**.** To be ahead in the race of attracting people and creating uniqueness, mall must focus on creating a layout which gives maximum visibility to the tenants, providing them with ample display space, tactfully & technically using the dead spaces, creating focal points to attract the customers.

As malls are turning to community centres, it becomes difficult for mall managers to control the vast number of visitors to malls. As mall entry doors cannot be closed for visitors/shoppers simply for the reason of having enough crowds. Thus mall developers must consider this aspect of entertaining hundreds of people when designing a building while planning for a mall. Traffic management includes managing foot traffic into the mall and parking facilities.

Malls need to manage foot traffic and parking facilities as well. Foot traffic management involves crowd management inside the operational area of a mall. The flow of people is related to the design of the mall and the spatial distribution of its tenants. For example, a star-shaped mall tends to have a problem of crowding in the centre of the mall, as everyone has to pass through the centre while moving from one side to the other. On the other hand, circular malls usually do not face the problem of traffic congestion because they tend to have better pedestrian flow.

For instance, circular malls, as compared to usual malls, usually do not face the problem of traffic congestion because these designs tend to have better pedestrian flow and less jamming. Managing parking facilities includes provision of ample parking and management of vehicles in the parking lot.

Managing parking facilities includes provision of ample parking and management of vehicles in the parking lot. Branding and advertising is one of the latest trends in retail mall retail estate that vacant spaces are being used for advertising displays to promote malls, its retailers and the retailers' products. This can often be hi-tech, involving the use of digital displays, and draw the shopper's attention to specific merchandise or promotions in a nearby store.

Branding & Advertising is one of the latest trends in retail mall retail estate that vacant spaces are being used for advertising displays to promote mall, its retailers and retailers' products. This can often be hi-tech, involving the use of digital displays, and draw the shopper's attention to specific merchandise or promotions in a nearby store. These new promotional efforts, like corporate responsibility, add to a retailer's cache and represent a genuine marketing advantage.

NEW MALL CONCEPTS EMERGING IN INDIA
(Trends that will shape future of shopping malls)

An imperative transformation in mall space is the focus on planning and optimisation of retail spaces so as to extract their highest potential.

A walk down the memory lane of malls and shopping centre journey in India and it seems we have seen it all. From boom to reaching a point when suddenly the developers seemed skeptical of the future; the shopping centre industry in India has witnessed quite a few up and downs. But what needs to be applauded is the constant efforts of industry stakeholders to go ahead and adapt themselves to the changing market and consumer dynamics. We speak with industry veterans and experts to gauge the current sentiments prevailing in the industry and their views on the road ahead.

The retail sector registered moderate growth in 2015; besides, there was rising competition between online players and brick-and-mortar retailers. Online retailing witnessed significant growth with large amounts of private equity funding in this segment. However, online retailers are reporting heavy losses owing to deep discounts that they are offering. Further, as the market is becoming more competitive, consolidation is also taking place in the retail sector. Some big retail chains have merged and acquired other companies in order to achieve larger scale and efficiency.

2015 also witnessed the entry of some popular international brands such as GAP, H&M and Aeropostale in India. This year can at best be characterised by 'survival of the fittest' and 'synchronisation of all the retail channels'.

H&M Store
Putting things in perspective, CEO Viviana Mall, Sunil Shroff, says, "During the last few years, the retail market has witnessed a substantial growth. Indian retail industry has brought a vast range of various items from across categories under one roof. Due to liberalization of the FDI policy, major international and global players have entered the retail space and have ambitious plans to expand in the future years across verticals and cities."
According to VP Infiniti Malls, Mukesh Kumar, "There has been a phenomenal growth of shopping malls and specialty retail stores. But not all shopping centres have survived, and only the ones that can create a community experience have thrived. Malls have increasingly becoming active on the social network scenario and have effectively utilized the social media to make it successful. Based on big regulatory or social and perceptual changes, malls across the country have been transmuting to prevent themselves from being obsolete and also match or exceed global standards."

Staying ahead of the curve
Consumers are considering online shopping as a crucial part in their shopping journey today. While, online shopping is price-related, the brick-and-mortar model is all about social interactions. Malls should evolve beyond 'shopping destinations' and offer an entertainment element along with retail options to the consumers. It is non debatable that digitalization is the need of the hour today and the demand of customers. Hence to be relevant in this growing digital world, one of the solutions is collaborating with retailers to use technology as the means to create the next-gen shopping experience for customers.

According to Senior VP, Mall Management DLF Place Saket, Benu Sehgal, says, "Malls are no longer just shopping destinations but are evolving as active hangout places. Customers look for a holistic experience and it is important to engage with them on an emotional level to create that connect. We offer a plethora of other elements which have now come in such as convenience services to our shoppers such as ticket booking, currency change, bill payments etc. Entertainment has also moved beyond just movies, with play zones or bowling alleys and much more. There are many associations relating to a particular cause or a particular festival besides Embassy associations, Art exhibits which further bring in value for the consumer."

Today malls are emerging as crucial part of the community and a solution for every desire of a consumer right from shopping to entertainment to special celebrations etc. What is important to remember is that in the Indian context, shopping is often related to momentous events. Celebrations, festivals, weddings, birthdays or simply an occasion for friends and family to commemorate, results in the process of buying something new, getting a sense of ceremony. This can only be felt in person and not a click away.

Executive Director – Select Citywalk, Delhi, Yogeshwar Sharma, says, "It was a mixed year, we can't deny the fact that 2015 was the year of 'e-commerce boom'. E-commerce given a stiff competition to brick and mortar retail and malls. Select Citywalk is an exception, we survived because our is a one of it's kind mall in the country and it has the benefit of its ideal location and a very strong vicinity. We had to increase our mall spend on entertainment and leisure activities also some of the major international brands entered India through us like GAP, Aeropostle and H&M. Also these brands did lot of marketing at their end which eventually helped the mall. We also started services like delivery to the home, hands free shopping etc. So it was three pronged approach from our side – improving the tenant mix, adding new international/national brands to our mall portfolio, B. Marketing C. Providing services to our mall patrons."

According to Managing Director – Retail Services JLL India, Pankaj Renjhen, "Shopping mall developers should focus on providing a wholesome experience to the prospective shoppers. With rising competition from online retailing, malls can be successful only if they provide a differentiating factor and emphasize more on categories such as F&B and entertainment. Malls have to step up and provide quality infrastructure and recreation activities which cannot be provided by online retailers. Increasingly, malls have to provide convenience and digital solutions so as to make a mall visit more comfortable and engaging."

Key areas where malls should concentrate on to encash on the opportunity of growing consumerism in India

Today mall visitors are very well informed about fashion, prevailing trends and quality. The exposure to global fashion, taste and lifestyle has made people more conscious and informed when making a purchase decision. Malls today not only needs to be a place where they sell products and services but also need to be a place where they assist the mall visitor in taking a purchase decision. In addition to this, malls need to provide a high element of interactivity through a high focus on unique experiential content. Personalisation and customisation are also the key buzz words for today's mall.

Valet services, shopping consultants, shopping bag valets, senior citizen zones, kids play and crèche areas, free wifi connectivity, loyalty programmes, navigation assistance etc. are all fast coming an integral feature of today's malls. Herein the concept of fashion tips i.e. suggestions on what goes the best with a particular customer's look and personality, makeover tips keeping a desired look in mind, healthcare tips etc. are also being offered. These services certainly establish a customer connect with retailers and their products.

According to Chief Mall Mechanic, Beyond Squarefeet Advisory, Susil S Dungarwal, "The young Indian consumer is spending 30 per cent more than the earlier generation & this has to be taken note of. If the Mall developers can create space for these consumers & satisfy their needs in the Malls, then we can look at the Malls reviving, otherwise the Malls in India will have a difficult time to survive."

Stating his opinion, Kumar, says, urban India has embraced consumerism and a hunger for branded products emerged. A young working population, that lives by the "work hard and live well" mantra, has powered the Indian retail market The growing awareness of global fashion trends has been fueled by the Internet and the fashion and lifestyle media. As a result, the typical upper middle class consumer is conscious not only of the international styles but also about the lifestyle attributes connected to the brand. Though there is changing behaviour among Indian consumers quality and value continue to be at the heart of their purchasing decisions. A mall should have good mix of International & local brands. More and more experiential brands need to be promoted , Salons being one category."

Head of Operations, Elante Mall, Chandigarh, Manoj Agarwal says, "I strongly believe that brick & mortar stores would continue to flourish as customized fits, the physical look, touch and feel of various merchandise and apparels and the need for fresh merchandise for each new season as well as the overall experience of shopping with friends & family are timeless. This is in fact supported by the brick and mortar store performance during the festive season just gone by in 2015 and by a great End Of Season Sale performance in January '16."

Vision

Owing to positive economic conditions and rising consumer confidence, it is expected that retailers will pace up their expansion plans. Retail chains are not only augmenting their physical stores presence but also launching their online retailing platforms. Also, with further relaxation of the FDI policy, it is expected that there would be foray of more international brands into India; also, more investments would be driven into the retail sector.

The top trends to watch for India's retail real estate sector are:

1. **Entry of more international brands owing to further relaxation in FDI policy:** It is expected that more single-brand retailers will enter India owing to relaxation in FDI clauses and allowing selling directly online. This will propel more investments by international retailers, as there would be streamlining of operating in the Indian retail sector.
2. **Network optimisation by retailers:** As retailers adopt the omni-channel model, there will be increasing emphasis on productivity in terms of per square foot revenue generated by physical stores. Therefore, retailers are relooking at their store networks by conducting structured research in terms of location, rentals and sales generation.
3. **Increased funding by Private Equity players:** A lot of global investors are actively looking for investment opportunities in retail real estate spaces and retail brands as well.
4. **Introduction of newer formats by retailers:** In order to cater to the aspirational and discerning consumers, newer formats that integrate technology and improved experience may be conceptualised. Big Bazaar has already opened a new format of Big Bazaar Gen Next.

   2015, wasn't a great year for the retail-realty sector in India, as not many Malls were launched during the year. The online onslaught has impacted the sector & the retail business overall has been under a grey cloud. Though the rental revenues have not yet impacted, there is a huge and a visible impact on the footfalls in the malls, because of the huge discounts offered by online retailers. Online business shall continue to draw more customers, till they offer discounts, which will impact the Mall sector."

   Talking about his expectation for future, he further adds, "Having seen the present scenario & also the low business environment in the Mall Business, I am very gung ho on the Mall sector in India, the potential for GOOD malls still is very high & Mall will continue to be a major attraction for people."

   With overall market conditions, stocks, business sentiments and real estate starting to look up, it would be surely be a good year for retail as well. This is already supported by the fact that the 2015 festive season that has just gone by was excellent for the brick and mortar retail. There would be increasing amount of technology which would be deployed in retail world to engage customers. As per reports, pan-India there is not much of retail real estate supply expected and would help existing players in consolidating their market position and business.

   With increasing population, shifting lifestyles, lengthy working hours and shrinking free time, it is definite that destination malls and neighbourhood malls will grow dynamically. This year, mall business will pick up in Tier II and III cities. Retailers will be revisiting their strategies and have a flexible approach, customised to different micro-markets.

Retailers will start experimenting with formats and sizes for the same brands, adapting to markets as they start moving up the value chain. Investments by both home-grown and international brands will strengthen in tier-II and tier-III markets as they expand beyond tier-I cities. This means, there would be equal opportunities to explore for international and local retailers.

Executive Vice President and Mall Head, DLF Mall of India, NOIDA, Pushpa Bector says, “Food and entertainment is the space to experience this year as many international gaming concepts step in India with their new concept stores. Also, it is going to be an year, a technology-led retail will start entering in the single-brand retail store category.”

Kumar, concludes, “We expect platforms such as social media and mobile to play bigger roles in people’s shopping experiences in 2016. Companies won’t just use the small screen to “get in front” of customers (i.e. through geo-fencing and mobile-enabled sites). In 2016, retailers will step up their efforts by incorporating mobile into other parts of the customer journey, payments, and loyalty.”

Key factors helping shopping centre industry to flourish

1. **Growing youth**: The youth population is growing in India. They are becoming more brand conscious and desire a better standard of living. According to Census report, India has about 500 million Indians under age 25 with easier access to money giving them a significant purchasing power. This is driving growth and demand for products.
2. **Increase in working population**: According to the KPMG report*, the working age group of 15-54 years is the largest spender on retail and as per the census of 2011, more than 50 per cent of India’s total population falls under this group, indicating the significant influence by this segment.
3. **Rise in income and purchasing power**: India has a large and aspirational middle class and its disposable income has increased significantly, which is resulting in a substantial change in their spending habits and purchasing power. Other factors such as rising internet penetration of the retailers offering a high class shopping experience, rapid real estate infrastructure development, new product innovation, growing interest of investors have wedged the Mumbai retail industry to a large extent.

Ways that mall operators can further improve their business

- They can raise retail categories like food & beverage, entertainment, services, lifestyle and luxury segments.
- Malls could opt to implement O2O (Online-To-Offline) offerings in order to help retailers raise their offline sales. Most Asian mall operators are adjusting their tenant mix, but O2O offerings are still in an infant stage of development.
- Mall operators, in the time to come, could focus on large malls developed in strategic locations keeping specific micro markets in mind. Where this could be a “one stop shop” type large/ regional centre development which has an excellent mix of all the various retail categories catering to customers across all age groups and segments with a focus on food & beverage, entertainment, services, and lifestyle segments.

10 in-store innovations from emerging countries:

The Future of retail By Ankush Samant 26th Jun 2013 +0 We earlier wrote about In Store Innovations and from the feedback recieved, decided to present 10 in-store innovations from emerging countries:

1. P & G Launched “5D experience” Concept Store in Sao Paulo Featuring GestureTek's Interactive Solutions: Procter & Gamble launched a new concept store where people are invited to interact with and experiment with P & G's products using sensory experimentation. The P & G 5D Experience is an interactive operational space and entertainment destination. The concept store, designed by Point Creative and opened in the Market Place in Sao Paulo, engages people and offers them the opportunity to experience P & G brands from an entirely new perspective. Trinanda Media (Gesturetek's Strategic Dealer in Brazil) was involved in the design of the interactive window on the store's facade, installing GestureTek's Screen FX projection-based interactive visual display technology. The window installation was intended to promote the store as well as the P & G brand. GestureTek's GroundFX interactive floor display technology was also

used to showcase the Pampers brand. Named "Magic Carpet," the interactive floor system provided the visiting public with a unique and highly engaging brand interaction experience!

2. “Virtual Shopping Wall” at Delhi International Airport, India In India, e-commerce firm HomeShop18 and Delhi International Airport introduced a “Virtual Shopping Wall’ at the Delhi Domestic Terminal T3. The virtual mall is named “Scan N Shop”. The wall offers premium merchandise to consumers. The passengers will be able to browse through the entire range of products and order by scanning the QR code displayed against each item with their smartphones. Consumers can also order by calling at the call centre of HomeShop18.
3. “eKoCool” cooler by Coca-Cola in Uttar Pradesh, India A while ago, Atul Singh, President and CEO, Coca-Cola India and South West Asia, visited one of his markets in the hinterland in UP, India. He encountered the challenges that retailers faced in offering chilled beverages in summers due to long power cuts. Atul Singh came back along with his technical team with the innovation called “eKoCool” cooler. These coolers are distributed to women retailers, helping them earn a livelihood. Besides cooling drinks, it can also charge lanterns and cell phones--this helps them earn that little extra. The cooler remains chilled for at least two-and-a-half hours after sunset.
4. Augmented Reality Stores by Yihaodian, China Yihaodian, one of China’s biggest e-commerce sites, developed augmented reality stores that can only be accessed in certain public locations. The basic aim was to provide a more interactive shopping experience. When customers point their smartphone in the right direction at locations such as public squares, a virtual store is displayed where items sit on shelves or hang from the walls. This app provides a simulation of a physical retail store so shoppers can feel more immersed in their online shopping trip. The concept involves the establishment of AR supermarkets in vacant lots in cities around China, where people will be able to wander around the space, using their smartphones for guidance, shop and have their products delivered at home. The idea of using dead urban spaces as retail areas, while avoiding any building and personnel costs sounds like a promising one.
5. C&A Brazil Introduces FB Likes in Real World C&A provided a good example of how the real world and the online can converge to create a modern shopping experience. By displaying Facebook “likes” on small screens embedded in articles’ hangers, the retailers showed the increasing tally of “likes” that different items of clothing were receiving from Web users. The hope was that approval from the online community would encourage shoppers to purchase a particular item of clothing.
6. iPads in Restaurants In India, several restaurants have tried the iPads to woo their clientele for a different dining experience. Restaurants display their food menus on the iPads and give interesting facts and information around their offerings. The concept has been tried in the following locations in Mumbai - Koh by Ian Kittichai (InterContinental Marine Drivei), Royal China (Bandra and VT) and Escobar (Bandra).
7. Magazine Luiza’s Virtual Model for Brick-and-Mortar Stores Brazilian retailer Magazine Luiza’s management came up with an innovative virtual model, which accounts for 52 stores of the 350-store chain. The model has defied the notion that “if the store is small, the assortment must be very limited.” Magazine Luiza provides access to a megastore’s assortment of basic home needs to populations in small cities. The virtual model relies on an electronic format and four important aspects make up this model: - No on-site products - Offering of additional services - Strong technological support - Integration with the community After observing a series of failed virtual stores, Magazine Luiza did not apply a self-service model. Rather, it counted on customer service not only to sell, but also to educate customers on the new concept and format. At first, the virtual store model started with sales on video; it later moved to an online approach. As another means of differentiation, Magazine Luiza launched one-hour Internet access for customers, with an additional hour for bringing in a new customer. The company also sets aside space within the virtual stores for consumer education, partnering with local charities to provide their customers with information sessions on topics including literacy, healthy living, disease prevention, and childcare.
8. The Fragrance Bar in China The Fragrance Bar is an innovative in-store digital experience developed by Labbrand and has been featured in Sephora’s newest megastore in Shanghai, China. The Fragrance Bar is a new retail concept that provides a unique shopping experience to maximize consumer engagement. It is composed of six stations—each equipped with an iPad and

10 perfume diffusers. Labbrand created two different iPad applications for in-store use. One is based on the idea of Memorable Scents that allows customers to interact with emotion-charged scents. The other one is based on the idea of Key Life Occasions that allows customers to find their perfect fragrance for dating, work, going out and gifting. Customers could then obtain product information directly through the application and share their result by email or through Sina Weibo. Both applications are linked to perfume diffusers that allow customers to directly experience different scents and fragrances, thus increasing the chances of sales conversion.

9. Coca-Cola's Hug Machines in Istanbul, Turkey and Future Projects in India and Pakistan Coca-Cola has tried many interesting formats in vending machines. In Singapore, Coca-Cola set up a Hug Machine --a vending machine with red and white message announcing the consumer to "hug" it, after which the consumer would be given a free Coke. The Hug Machine generated 112 million impressions within one day. In Istanbul, Coca-Cola installed vending machines inside crowded shopping malls. These vending machines were specially designed for couples to prove their love to each other and win a few extra cans of Coke. Recently, Coca Cola announced plans to set up vending machines in India and Pakistan that seek to bring the people from the two countries together.
10. Montblanc - Interactive Experience in Sanlitun-Beijing, China The Montblanc store gives its visitors the chance to explore the inside working of a genuine Swiss watch via the Virtual Timepiece. With a focus on design and contemporary art, the interactive journey is quiet unique! The virtual reality feature invites the visitors to interact with the inner movement of a watch, in this case, the uniquely original Montblanc Metamorphosis dual-faced timepiece. A projected wheel allows the person to direct the movement of the watch which is projected on surrounding screens, by turning the wheel, complete with subtle light effects. By entering Sanlitun's Walk of Fame, the visitors will find themselves surrounded by several memories of glamorous Montblanc events. The cameras flash, and for a moment, one is transformed to another time and place. Customers can also get the opportunity to hold the moment forever with a souvenir photo.

The Virtual Timepiece – A Moving Experience (Source) Some of these observations of in-store innovations may go on to become a trend and some of them will fade away with time. However, the point that we are driving home is that the trend of in-store innovations is here to stay--people want to experience something unique when they enter the brick-and-mortar stores and at other times it becomes important to innovate inside a store to make the whole retail process much more efficient. One way or the other consumers are to benefit.

CUSTOMER PREPARATION OF MALLS IN INDIA
The recipe of a successful mall

To successfully manage a retail shopping center, one requires a good degree of knowledge along with seamless systems. Knowledge comes with time and systems come with experience; astute management can do a lot for a retail property over a period of time. For a retail establishment, there are various points to be kept in mind, such as regulatory bodies, supply chain, integrated management, market competition, margins, trainings and many other attributes

1. Mall Management and Its Importance in Overall Retail Establishment

Mall management is defined as overall operation and maintenance of the entire building infrastructure, including the services and utilities, ensuring the wise use of resources. Mall management includes operation and maintenance (HVAC, fire fighting, power distribution, periodic PPM, MIS, billing, collections), mall marketing (boosting footfalls, events, activation, exhibition, advertising ATL, BTL, TTL), leasing and fit-outs (zoning, tenant mix, franchises), security (managing areas, CCTV monitoring, in-out records, control system, BMS), housekeeping (routine cleaning, facade cleaning, pest control, ambience).

For a retail establishment, there are various points to be kept in mind, such as regulatory bodies, supply chain, integrated management, market competition, margins, trainings and many other attributes. While mall management provides end-to-end solutions to the above-mentioned attributes, leasing and marketing teams will align all the local liaisons and help the operation to run smoothly.

2. The Importance of Tenant Mix

Tenant mix refers to the combination of retail outlets occupying the space in a shopping centre designed to produce cumulative profits for occupants and investors. Tenant mix is one of the most important factors to impact the success of a shopping centre; first impression on customers is critical and that can be achieved by an intelligent mix of retail outlets. Vacancies are typically procurement of services/ providers; risk assessment and security planning; manage tenancy fit-out process; overseeing commissioning of systems; preparation of tenant criteria document; set up systems and documentation; marketing (for retail properties); resource mobilization and management; compliance; financial processes; detailed site cleanup and preparation; dry run up of all services; stores set-up; business plan; lease management.

Post-opening phase: Property management; finance and lease administration; training; managing contract and vendor services; occupants' management; compliance management; operations and maintenance; service management; administration services; marketing (for retail properties).

3. Role of Retailers in Mall Management

There always needs to be a strong bond between the retailer and mall management without which the smooth functioning of the mall is not possible. It is through retailers that a mall generates the pull and experience to draw customer traffic, which is an important factor in deciding the commercial future of the development. For a retailer, there are the considerations of carpet area or super built-up area, as well as the Gross Leasable Area (GLA). The support and co-ordination of all tenants plays a vital role in the success of the mall and its investors. There is a set of standard procedures to which both the e-tailers and management are bound, and which are designed to provide the best results in creating a commercially viable shopping centre.

4. Zoning of a Mall

Zoning refers to the division of mall space into various areas for the placement of various retailers. A shopping centre is dependent on the success of its tenants, which translates to the financial feasibility of the tenant in the mall. As per the routine tendency, creating the right tenant mix not only helps in a racing and retaining shoppers by offering them multiple choices and lifestyle experiences, but also facilitates the smooth movement of shoppers within the mall, avoiding unnecessary clusters and bottlenecks. In the current scenario, as the retail sector is constantly keeping an eye on the younger generation, zoning is often planned in a zig zag manner so that the customer can have a look around the complete mall and hopefully not miss any of the choices and stores available.

A zoning exercise, if done properly, helps in building a separate image in the minds of the visitors. This also helps influence shoppers' mall preferences and frequency of visits, which is critical considering the robust upcoming supply of shopping centres. Targeting both preplanned shoppers and impulse visitors is critical if the shopping centre is to achieve higher conversions and thereby, higher sales for its tenants.

Typically, zoning is a mall space allocation exercise under which mall developers basically formulate an appropriate tenant mix to attract both types of customers, especially the impulse buyers.

Advantages of Zoning

i) Allows the smooth movement of shoppers in the mall, avoiding clusters and bottlenecks
ii) Creates a distinct image in the minds of the customers
iii) Assists in formulating the right tenant mix and the placement of these tenants within the mall
iv) Helps in the selection of right anchor tenants
v) Helps retailers attract both types of consumers, especially the impulse buyers.

Latest Trends in Zoning

There are currently multiple trends in shopping centre zoning. Primarily, zoning is done so as to place highly recognized brands at the ground floor (near main entrances) and the anchors at strategic locations to which customer can go without ignoring the vanilla brands. 'Dog bone' zoning is currently the most visible tenant placement strategy.

Since 2013, the concept has been implemented in most shopping centres across India, with food courts and cinemas being typically placed at the higher floors for effective utilization of foot traffic. A relatively recent zoning practice involves housing local brands in small enclosed areas or specific designated areas to attract customers based on their loyalty. This concept of zoning is very popular in Tier II and Tier III shopping centres. To make the mall a vibrant, seamless space, it is essential that all stores have a good visibility of the atrium. The concept of cluster market should never be ignored while making the zoning plan of a mall.

Retail in Central India

Retailing in India is one of the pillars of its economy and accounts for about 10 per cent of its GDP. India is one of the fastest growing retail markets in the world, with over 1.2 billion people. As of 2003, India's retailing industry was essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 per cent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians.

Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered as taxpayers. These include the publicly traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately-owned large retail businesses.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local corner shops, owner manned general stores, Temporary roadside kiosks convenience stores, hand cart and pavement vendors, etc.

As far as the growth of retail in Central India is concerned; looking to the potential of the market there are lot many major brands entered into the market & those who are not made it till date are still searching for the openings to get into this fast growing market & to evaluate their brand potential, this in turn allows the customers to have large varieties in terms of shopping options are concerned.

Facility Management Companies

As I have mentioned earlier the Indian market today is expending at such a fast speed that not only allows the brands or products to get into the market but also allows openings to various verticals in it. Managing facility is also one of the major verticals that came out of it. Today there are lot of facility management companies operating at different modules, out of which I found Preeminent Management and Consultancy one of those companies who is having a team of young professionals with a very clear aim, that they are, 'Formed to Manage' which they follow very strictly resulting in maintaining excellent client relations with on time performances, which is the need of the hour in this modern competitive world.

The future of the shopping mall

To survive in the digital age, malls will need to reinvent themselves.

Officially shopping malls are defined as "one or more buildings forming a complex of shops representing merchandisers, with interconnected walkways enabling visitors to walk from unit to unit."[1] Unofficially, they are the heart and soul of communities, the foundation of retail economies, and a social sanctuary for teenagers everywhere. In recent decades, the concept of the shopping mall, which has its origins in the U.S. and became a full-blown modern retail trend there in the post-WWII years, has proliferated across the globe. The five largest malls in the world now reside in Asia. China's New South China Mall in Dongguan stands at the top of the heap with 2.9 million square meters of space.

Despite its ubiquity, the mall as it's been conceived for the last half century is at a critical inflection point. A storm of global trends are coming together at the same time to cause malls to change the role they play in people's lives. No longer are they primarily about shopping. Now, when consumers visit malls, they are looking for experiences that go well beyond traditional shopping.

The trends helping to create this change include changing demographics, such as an aging population and increased urbanization, which means more people living in smaller spaces and a greater need for public spaces in which to socialize and congregate. In this environment, malls offer a welcome watering hole, especially in cities where other public spaces are not safe. Sustainability concerns are causing some consumers to prefer mixed use developments where they can live, shop and work all within walking distance – instead of having to get into a car and drive to a crowded suburban mall. The growing middle classes in Latin America and Asia maintain a strong association between consumption and pleasure, driving the need for more engaging shopping experiences. And finally, the e-commerce revolution and the rise of digital technologies are fundamentally reshaping consumer expectations and shifting the function of stores toward useful and entertaining customer experiences.

As these trends advance across the global stage, they are forcing mall operators to rethink how they conceive and operate their properties. This identity crisis is most intense in the U.S., the country that pioneered malls and has the most malls per inhabitant. Thanks to a continued economic slowdown and rapid advance of the digital revolution, the U.S. mall industry is retracting and facing high vacancy levels. Websites such as deadmalls.com collect pictures of weedy parking lots and barren food courts, and try to explain how once-thriving shopping centers began to spiral downward.

In the face of these considerable challenges, malls are seeking to stay relevant, drive growth and boost efficiency. We see successful players investing along three key fronts.

1. Differentiating the consumer offering, with a focus on experience and convenience.

Online shopping provides consumers with ultimate levels of convenience. Malls will never be able to compete with the endless product selection, price comparisons and always-on nature of online. Nor should they try. Instead, malls need to move in a different direction, away from commoditized shopping experiences and toward a broadened value proposition for consumers.

Innovative malls are incorporating value-added elements that attempt to recast the mall as the new downtown, including concerts, arts centers, spas, fitness clubs, and farmer’s markets. These services provide a level of leisure and entertainment that can never be satisfied online. Xanadu, a mall 30 km from Madrid, for instance, has gone out of its way to provide the means for parents to spend quality time with their children. The mall features a ski slope, go karts, balloon rides, bowling and billiards. Similarly, the Mall of America in Minnesota has an underwater aquarium, a theme park, and a dinosaur walk museum. In Brazil, for instance, a new focus on leisure and entertainment is already driving growth. Revenue coming into malls from these offerings grew 41 percent in 2013 compared to 2012.

An emphasis on fine dining and events is also helping to make malls the hub of the local community – a place to share quality time with friends and family, not just wolf down a meal at the food court. The King of Prussia Mall, located 30 km from Philadelphia, has a Morton’s Steakhouse and Capital Grille. The Crystal Cove shopping center in Newport Beach, CA has more than a dozen upscale restaurants, including Tamarind of London and Mastro’s Ocean Club.

On the tenant mix front, innovative malls are strategically rethinking the types of stores that consumers will respond to. Anchor tenants that drive traffic are still key, but we also see a new emphasis on a curated mix of smaller stores that add a sense of novelty to the mall offering. Additionally, some malls are making greater use of temporary, flexible spaces that can accommodate different stores over time. Pop up stores, showroom spaces and kiosks provide customers with a sense of the unexpected and give them a reason to treasure hunt.

Finally, malls are overcoming the commoditization problem by focusing on specific consumer segments and/or creating specific zones within the mall that allow consumers to find an area that caters to them. In the Dubai Mall, for instance, “Fashion Avenue” is an area dedicated to luxury brands and services tailored to the upscale customer, including a separate outside entrance and parking area. In the 7-story CentralWord mall in Bangkok, home décor is on the 5th level, technology on the 4th, and fashion apparel on 1-3. This approach also represents a way for malls to ensure that customers don’t get lost inside the ever increasing square footage of malls.

2. Transforming the mall experience by leveraging technology and multichannel strategies.

The digital transformation of retail is not all bad news for malls. On the contrary, it presents new opportunities for malls to engage consumers throughout their decision journeys. There are three primary ways in which malls are leveraging technology:

First, they are **extending their relationships with customers to before and after the mall visit**. This is about engaging customers through compelling content and creating deeper bonds with them through social media and proprietary sites and apps, as well as loyalty programs. Social media can be used, for instance, to create buzz about new tenants or solicit ideas from consumers about ideas for new stores. One mall company has utilized segmented Facebook communication to speak to different communities, such as different geographies or interest groups or specific malls. Mall loyalty programs can provide the means for malls to establish a direct relationship with customers that goes beyond each visit to the mall, while allowing malls to collect precious information about customers.

Just like retailers, malls should reach out to their customers with customized offers, gift ideas and other targeted advertisements based on real time intelligence and location-based marketing. While malls face the challenge of not having direct access to shopper purchase data, this can be overcome by inducing shoppers to use their smartphone to scan purchase receipts in exchange for points that can be redeemed for concerts tickets, books, discount vouchers for participating merchants, free parking or invitations to events (e.g., a fashion show). Alternatively, technologies such as face recognition, location-based mobile ads, and beacons are already being successfully applied in order to identify and establish targeted contact with repeat customers. Such technologies are also valuable for gathering consumer behavioral data from which malls can glean useful insights.

Secondly, malls are **using technology to transform mall usability** as a means of improving customer satisfaction. There is ample opportunity for malls to decrease customer pain points, while simultaneously creating entirely new delight points. Technology, for instance, can be used to address one of the biggest challenges shoppers face at the mall – finding parking. Sensors located in parking lots detect how many spots are available on each level and give visual indicators to drivers. Once within the mall, mobile apps can offer quick, easy guides to help shoppers find what they're looking for at today's increasingly large and multi-level malls.

Thirdly, malls are **utilizing digital capabilities to take the shopping experience to the next level**. It critical for malls to take a more active role in shaping the shopping experience, either by acting more like retailers or by partnering with them. Mall players are experimenting with a variety of different business models to make this happen, but there are no certain winners yet. To introduce elements of e-commerce into the mall, Taubman partnered with Twentieth Century Fox to put virtual storefronts – "Fox Movie Mall" – in at least 18 luxury malls. There, shoppers can purchase movie tickets by scanning a QR code with their smartphone. As the barriers between online and offline blur, some mall operators are venturing into online with a complete virtual mall offering. In 2011, the Australian mall company Westfield launched an online mall (and later a mobile app) with 150 stores, 3,000 brands, and over 1 million products. The company collects a small listing fee from merchants, as well as a commission of between 20-30 percent on every sale. Driven by the knowledge that 60 percent of the 1.1 billion annual shoppers in its malls use mobile devices, Westfield also created a research lab located in San Francisco, with the mission of finding technology applications and services that can further enhance the retail experience for both shoppers and retailers.

3. Exploration of new formats and commercial real estate opportunities.

The most innovative malls today look nothing like their predecessors. Although location remains the key real estate consideration for malls, a differentiated design and structure is increasingly important. Open air malls go a long ways toward lending an atmosphere of a town center, especially when they incorporate mixed use real estate. Many of the malls being built in urban areas are open and fully integrated with the landscape. The Cabot Circus Shopping Centre in Bristol, England, for instance, has a unique shell-shaped glass roof that's the size of one and a half football fields. Incorporating environmental sustainability considerations, the mall is accessible by public transportation and features a rainwater harvesting system. Even malls that are enclosed are now incorporating more natural ambiance into their design, installing plants and trees, wood walls and floors, waterfalls, and lots of glass to let in natural lighting. Such elements help malls better blend in with their surroundings.

It is critical that malls be about much more than stores. We see the mix of tenant/public space moving from the current 70/30 to 60/40, or even 50/50. When this happens, these expanded public spaces will need to be planned and programed over the year much like an exhibition. They will be managed more like content and media, instead of real estate.

Mixed used developments offer consumers an attractive, integrated community in which to live, work and shop. They also serve to generate additional traffic for the malls while maximizing returns on invested capital. Other commercial real estate opportunities that can add alternative revenue streams are hotels, office buildings and airports.

Lastly, outlets malls are an increasingly popular alternate format in more mature markets such as the U.S., particularly after the downturn of the economy, and they have been a key driver of growth for many players. In emerging economies like Brazil, outlets are also gaining attention and we see mall operators experimenting with this format as a means of attracting price conscious consumers and deal seekers.

Implications For Malls

Although these trends are expressing themselves to varying degrees in different markets around the world, we believe they are relevant globally and should be taken to heart no matter where mall companies operate. There are three strategic considerations that players should understand when figuring out how to best react.

1) **Evolve the offering by defining a clear value proposition for both consumers and retailers**, anchoring it on deep consumer insights and bullet-proof economics. Among the large universe of options for enhancing the customer experience, it is possible to identify initiatives that will be both ROI-positive and substantially boost the satisfaction customers have toward malls. To do this, mall players must first isolate and quantify the consumer touch points that are most responsible for driving satisfaction. Use these touch points to prioritize areas of investment and to design a cohesive customer experience program that will yield higher visit and/or spend rates, and ultimately greater consumer loyalty.
2) **Increase productivity and efficiency** of the current mall base **through a strategic review** of the tenant mix, taking into account consumer needs and retailer economics. This analysis should guide the management of rent pricing and overall commercial planning. On the cost front, the focus should be on strict management of direct and indirect costs, combined with operational efficiency, which is critical for successful customer experience transformations.
3) **Think surgically about where and how to grow** in a way that won't jeopardize returns. Focus on city clusters and regions that have distinctive opportunities for growth. This includes thinking purposefully about disciplined capex management and which formats are going to create the biggest impact, whether that's traditional, multi-use, neighborhood or outlet.

Executing against these considerations will often require that mall players develop new capabilities. Westfield, for example, has established a Digital Office group that reports to the CEO with the mission of spearheading digital initiatives across the organization. Other companies have created "customer experience" teams that are responsible for creating and integrating a unified vision of customer initiatives. Still others have created retail teams responsible for working on partnerships with retailers, or alternatively, operating retail operations themselves.

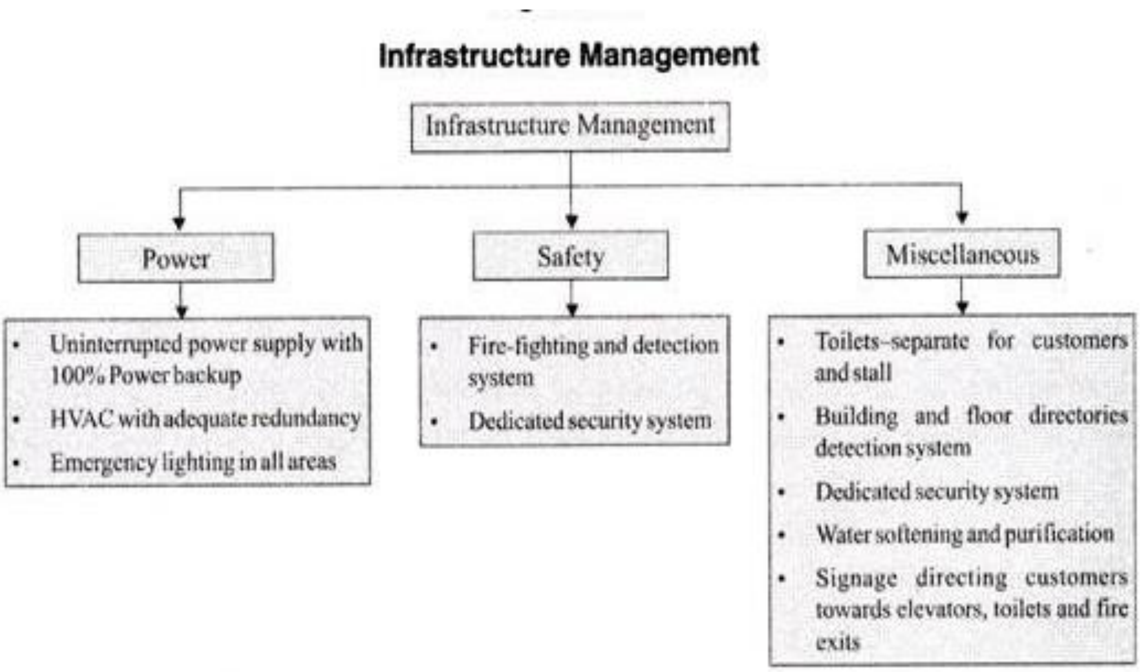
The world of retail is changing dramatically, but the mall still can have a central role in urban and suburban societies. To avoid becoming what one chief executive calls a "historical anachronism – a sixty-year aberration that no longer meets the public's needs," mall operators must expand their horizons of what a mall can be. They must envision themselves no longer as real estate brokers, but instead as customer-facing providers of shoppable entertainment.

FACILITIES MANAGEMENT

It refers to the integration of people, place, process and technology in a building. **Facility management** companies provide specialized services to **malls** ranging from parking, security, to housekeeping and cash **management**. Facility Management handle electro mechanical services like and suppression and fire detection, access control, power management, water management plumbing, Supply Chain, Marketing Research, Logistics and Design etc.

In addition to this they also offer business services like help desk management, guest relations, and meeting room management. Few of facility management companies also provide soft services like pest control, cleaning, and physical and security surveillance, concierge services, and administration services. There are few other expert functions that facility management companies are also taking up. These include conducting research for malls to find out their requirements regarding issues such as;
(a) Site location problem
(b) What kind of mall to set up?
(c) Determining the customer patterns
(d) Segmenting, Targeting, and Positioning (STP)

Under facility management various activities are classified as follows:
(i) Infrastructure Management:
It refers to the overall supervision and administration of various facilities provided to tenants, risk management measures such as adopting essential safety measures, conducting asset liability and environmental audits as well as imparting emergency and evacuation training.
Under infrastructure management following facilities are offered:
(i) Air conditioning,
(ii) Provision of adequate power supply,
(iii) Safety issues related of signage,
(iv) Issues related to signage, water supply, sanitation, etc
(v) Water supplying and sanitation



Facility Management has become an integral part of the retail ecosystem but a decade ago it was just limited to a very few basic amenities, but with professional facility managers coming into the scene, the retail realty sector has seen a sea change in the number of support services, which are provided to the customers. With fierce competition in the industry and with little differentiation with brand mix in the shopping centres, malls have come up with newer ways to increase the footfall. Of this developing and adding facility management services is one of the important aspects. The wide array of support services act as a backbone in initiating customer connect and in turn resulting in better customer retention.

Property and Asset Management occupies an important role in the development, delivery, and management of basic and integrated real estate projects. The continuous rise of occupier aspirations is the primary factor driving the demand for management practices as a unifying platform for new age real estate development. Facility management services are the first experiential thing as they are the first point of contact for any mall visitor. The services incorporate parking, security, house-keeping, medical assistance, wi-fi, baby-care and many more. The quality of support services has a direct bearing on the happiness and leisure of the customers. It acts as a backbone upon which a consumer gets a wholesome experience.

“Rising occupier expectations can be attributed to two main trends. On the institutional demand side, the requirements of large national/multinational corporate occupiers and investors have redefined expectations for built space quality and its management. On the other hand, constantly maturing and discerning individual consumers of homes, retail and entertainment has ensured that high-quality real estate products go hand-in-hand with equally competent facilities management,” says, Charu Thapar Chakravarti, Managing Director – Property and Asset Management, JLL India**.** Adding further, Chakravarti, says, “Today, the corporate, investor, and individual consumer is astute and aware of their requirements, and about the value addition they get from every service, including real estate. Hence, it is not surprising that in India as much as globally, world-class real estate must go in tandem with world-class management service.”

REASONS FOR FAILURE OF SOME MALLS IN INDIA

Malls as we understand, is a form of organized retailing. They lend an ideal shopping experience with an amalgamation of product, service and entertainment. The story of great Indian mall boom started from the emergence of Gurgaon, an industrial suburb of Delhi. In a development that surprised many town planners, Gurgaon transformed itself overnight by first housing the headquarters of many multinational corporations and banks, and then calling itself the ***"shopping-mall capital of India"***.

Then to join the bandwagon was Rajouri Garden with a number of world class malls coming up within a short duration of time. But this Mall Clutter led to a gradual & continuing downfall of some of the malls in Delhi which was accelerated by the economic recession affecting the world with India & specifically Delhi as no exception to this impact. But that is a broader picture; we will specifically talk about the failure of some shopping malls & big retail concepts in Delhi. In spite of big brand names existing in those malls & good location, why these malls failed? What can be the possible reasons?

On the basis of Market research & analysis, it can be inferred that the most important factor in the failure of these malls is ***the mismatch of the brand & the consumer***. The brands selected for the mall should be consistent with the kind of demographic profile of that region or location.

Now it is very difficult to attract the brands first before deciding or finalizing on the location of the mall & without proper specification & layout of the entire real estate. So, the better & most logical approach is to finalize the location first & then attract suitable brands very carefully. It is very important to keep the consumer or client profile of that region in mind. The brands should be in accordance with the type of customers in that region because they form the majority of the footfalls. So in order to understand the client profile, their psychology, decision making criteria, buying behavior, tastes & preferences & motivations or driving force behind purchase decision should be carefully examined & inferred. For example, if the consumers of that region are observed over time to have spent more on food than clothing, then a few good restaurants & fast food corners are a must for the success of that mall.

A research was carried out in the region Shalimar Bagh in North-West Delhi, where a Mall called ***Shoppin' Park*** resulted in a complete failure because from survey it is established that the majority of the population prefer to spend more on food & they prefer to shop Apparel from local markets & approximately 30% of the population as found to be fashion conscious. The remaining population is not bothered about the brand name or the values associated with the brand. They lacked motivation to buy Branded apparels.

Another example can be the failure of ***Spencer's*** store in Ring Road Mall in Rohini, where in spite of an excellent store in terms of ambience & assortment mix, the store is failing to attract customers.

Moreover, the presence of a strong ***Anchor store*** is also a very critical factor in determining the success of that mall. Strong brands like Pantaloons & Shoppers Stop acts as a pillar to protect the brand. They attract the majority of the customer through their brand names & it results in the increase of footfalls in the malls & thereby generating more sales to other stores also.

SHOPPIN' PARK witnessed the downfall of "Indiabulls" as a retail store & hence the entire mall crumbled down.

Adding to the woes is the rising prices of real estates. The real estate developers interests are not matching with the retailers interests as the retailers are paying heavy rentals on real estate & their monthly sales is not covering their rentals for months in continuation.

So the picture depicted for future of the Mall Culture is that the competition is fierce among the malls to survive & only those malls will survive which will successfully go through a detailed research on the consumer decision making process of those regions in particular. This means taking a microscopic view of the consumer behavior including the study of consumer psychology & studying their tastes & preferences & the factors which can influence their buying behavior in a positive direction.

The idea is to add a regional touch to the malls keeping in mind the regional variations in buying behavior of the target consumers.

The alarming rate at which shopping malls in India are closing down predicts a gloomy picture for some malls that are in crisis and struggling hard to survive. Though shopping malls are mushrooming across the length and breadth of India, only a handful of them are running successfully, while others are losing their glory and are on the verge of winding up. The alarming rate at which shopping malls in India are closing down predicts a gloomy picture for some malls that are in crisis and struggling hard to survive.

Industry experts assert that 60 percent of shopping malls in the major cities across the country are performing disappointingly and facing a bleak future owing to their failure to keep up with the competition from new shopping malls offering sophisticated retail experience to their customers. According to Jones Lang Lasalle India Report released in 2015, Delhi and NCR has the largest number of operational malls. While the most thriving malls are enjoying a low rental vacancy rate of almost 10 percent, the underperforming malls have a vacancy rate of 30 percent or more. Industry experts opine that since some malls are performing below average, they may eventually fade away if the mall developers do not get to the bottom of the thorny issue. Experts further are of the opinion that in order to survive, shopping malls in India that are facing losses should focus more on innovation to attract more footfalls and drive sales.

Some of the major factors that have been preventing malls from sustaining are listed below—

1. Disappointing performance
2. Lack of creativity and proper management
3. Unattractive ambiance
4. Poor planning
5. Poor design and layout

6. Bad zoning
7. Incorrect brand mix – ***mismatch of the brand & the consumer***. The brands selected for the mall should be consistent with the kind of demographic profile of that region or location.
8. Lack of understanding of customers – the population prefer to spend more on food & they prefer to shop Apparel from local markets & approximately 30% of the population as found to be fashion conscious. The remaining population is not bothered about the brand name or the values associated with the brand. They lacked motivation to buy Branded apparels.
9. Accessibility issues
10. Adding to the woes is the rising prices of real estates. The real estate developers interests are not matching with the retailers interests as the retailers are paying heavy rentals on real estate & their monthly sales is not covering their rentals for months in continuation.
11. Smaller catchment area

Owing to the factors mentioned above, some shopping malls in India are facing tough times as customer footfalls and sales are going down with each passing day. In addition to this, weak sales and ever-increasing costs are also compelling retailers to exit shopping malls. This lurking fear has been compelling a number of big shopping malls, housing countless retail brands, to spare no effort for retaining retailers for the sole purpose of keeping the mall business alive.

Factors That Determine the Success of Shopping Malls

Important factors such as brand positioning of a mall along with its layout and design, and ability to cater to the needs of their customers, play a crucial role in determining the success rate of a shopping mall. Moreover, shopping malls that are successfully performing in the country have been embracing advanced technologies to beguile shoppers and multiply sales. Successful malls also appoint efficient teams specialized in tenant management who also make decisions pertaining to product placement, promotional activities, customer engagement programs and the design and layout of the malls. What’s more, they also have the autonomy to decide which brand needs to be picked for leasing spaces in the mall.

Dotting the I's and Crossing the T's

Despite the fact that several shopping malls are not performing satisfactorily in the country, some of the malls are putting their best foot forward to continue through the difficult times. In order to revive the dying malls, mall developers are paying attention to the smallest details and taking corrective measures to redesign their business strategy. It is imperative for mall developers to simultaneously focus on effective mall operations and marketing needs of retailers so as to convert an underperforming mall into a smart shopping mall. Keeping this factor in mind, many shopping malls in India are re-launching themselves as per the latest trends to grab the attention of customers.

Besides this, mall developers are adhering to the factors mentioned below to turn dying and deserted malls into a vivacious commercial property.

1. **Investing in advanced technology**: Technology plays a key role in enhancing customer experiences. Installation of Touch-screen mirrors and interactive kiosks can go a long way in increasing footfalls by attracting customers.
2. **Utilizing data analytics:** Mall developers should make use of data analytics as it is imperative for boosting customer loyalty. Data analytics help shopping malls to understand the buying habits of each individual, their purchase history, as well as their shopping behaviours. Such analytics offer valuable insights to mall developers for providing the shoppers and random mall visitors with better shopping experience each time they enter the mall.
3. **Focussing on design and layout:** Mall developers should emphasize on the design and layout of an underperforming mall to enhance its visual appeal and make it more stunning. The right design and layout can easily spruce up a dull shopping mall, besides adding the “wow” factor to it for enticing more customers.

4. **Facilitating easy access and providing adequate parking area**: Shopping mall should be easily accessible from the road so as to pull more visitors. Moreover, malls should have a decent parking lot with adequate illumination and signage to add to the convenience of visitors.
5. **Expanding common spaces for entertainment:** Since shopping malls are turning into entertainment destinations for people of all ages, owners of underperforming malls should expand the common spaces for dining and entertaining activities.
6. **Creating a diversified tenant mix:** A shopping mall cannot flourish in the absence of a well-planned tenant mix. Thus, developers of underperforming malls should carefully select the right tenant mix by positioning different brands at the right places. However, creating the right tenant mix calls for a lot of market research so as to understand the needs of the customers.
7. **Zoning:** It is the process of allocating each floor in a mall to specific retail categories. Mall space is generally categorized into different zones for positioning different retailers—ground floor is allotted to international retailers, first floor to women and children; and the remaining floors are allocated to consumer durables and home furnishing segment. In order to add to the profitability of mall developers as well as retailers, zoning should be planned after taking the requirements and shopping behaviour of the target audiences into consideration.

Underperforming Malls can Regain Their Lost Glory

In order to operate a mall productively, it is extremely important to analyze consumer behaviour. Failure to understand consumer behaviour and reluctance to adapt to the demands of Millennials can prove disastrous for underperforming malls. Thus, struggling malls should focus on critical success factors to bounce back from all sorts of adversity. By introducing novelty and adding new attractions, underperforming shopping malls can certainly make a comeback in the retail space, thereby regaining their lost luster.

RETAIL FRANCHISING

CONCEPT AND MEANING OF FRANCHISING

Franchising is an arrangement/contractual agreement takes place between Franchisor and Franchisee where **franchisor** (one party) grants or licenses some rights and authorities to **franchisee** (another party). **Franchising** is a well-known marketing strategy for business expansion. ... In return, the **franchisee** pays a one-time fee or commission to **franchisor** and some share of revenue. Franchisor authorizes franchisee to sell their products, goods, services and give rights to use their trademark and brand name. And these franchisee acts like a dealer.

Some advantages to franchisees are they do not have to spend money on training employees, they get to learn about business techniques.

Franchising is basically a right which manufacturers or businesses give to others. This right allows the beneficiaries to sell the products or services of these manufacturers or parent businesses. These rights could even be in terms of access to intellectual property rights.

The individual or business that grants the right to the franchise is called the franchisor, while the beneficiary of the right is called the franchise. Franchising is a business marketing strategy to cover maximum market share.
Franchising is a business relationship between two entities wherein one party allows another to sell its products and intellectual property. For example, several fast food chains like Dominos and McDonalds operate in India through franchising.

EVOLUTION OF FRANCHISING

The roots of the word franchising can be traced back to the French word 'Franchise' which means to grant powers to a peasant or self. The English verb to 'enfranchise' also means to free from slavery bondage, legal obligation. In the middle ages, a franchise was a privilege or a right. At that time, the king would allow business to be conducted on his land. In essence, the king was giving someone the right to a monopoly for a certain type of commercial activity.

Franchising originated in Britain and Europe by the brewery industry to create a downstream distribution system for their products. Tavern owners, in exchange for financial assistance from the breweries, agreed to purchase all of their beer and ale from the sponsoring breweries.

Over the centuries the franchising concept continued to evolve along with the economies of the nations of the world. In the 1840s, in Germany, certain major ale brewers granted franchises to certain taverns the exclusive right to sell their ale. This was the beginning of the concept of franchising as we know it today.

For many years--like the ancient bones of "Lucy" discovered by Donald Johanson in 1974 and long thought to be mankind's first ancestor--Albert Singer, who founded the Singer Sewing Machine Company in 1851, has been credited with being the first franchisor in the United States. The designation was likely given because his was the most recognized name of the early pioneers that people still remembered.

In 1851, the Singer Sewing Machine Company began granting distribution franchises for their sewing machines. Singer had written franchise contracts, which were the forerunners of modern franchise agreements. In the 1880's cities began to grant monopoly franchises to street car companies and utilities for water, sewerage, gas, and electricity.

Around the turn of the century the oil refinery companies and the automobile manufacturers began to grant the right to sell their products. Over the years franchising as a format has evolved, again influenced by various socio-economic conditions prevalent in various parts of the world. A significant change in franchising was witnessed post World War II and during the so called baby boom years.

The modern era of franchising began in the 1950s when Ray Kroc, a milkshake machine salesman, first discovered a San Bernardino, California drive in restaurant operated by the McDonald brothers. Impressed with the crowded parking lot and the tasty French fries, Kroc bought the rights to franchise the business, and went on to build one of the most successful companies in the history of American business. And he did it through franchising. The reasons for franchising: The reasons for franchising in those days were no different that what they are today. Expansion of any business is risky and requires significant investments of capital and human resources (people) to run the locations. Franchising limits the risk factor of growth, allows expansion to occur without the vast amounts of operating capital and potentially creates an attractive profit picture for the franchise owner, at the unit or operating level.

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It was not until 2000, during IFA's Year of the Woman, that Martha Matilda Harper earned the title of first Business Format Franchisor by the IFA for developing the Harper Method shop franchise system. Starting in 1888 and developing into a franchise by 1891, Harper's shops grew into a chain of more than 500 salons and training schools at their peak. After years of decline following her retirement and subsequent death, a competitor acquired them in 1972 and closed the company and the remaining training centers. Some of the chain's clientele included Susan B. Anthony, Jacqueline Kennedy, Helen Hayes, and many other men and women of the times. What distinguished Harper from Singer was her approach to developing a support system and providing branding for the salons. Harper's franchise system incorporated many of the elements we have come to expect in a modern franchise system, including initial and continuing training, branded hair care products, field visits, advertising, group insurance, motivation, etc.

The truth is that the first franchisor in the United States was likely neither Singer nor Harper. While technically the country had not yet been born, the first franchisor in what was to become the United States appears to be one of our illustrious and innovative founding fathers. Almost every schoolchild can give you a list of his inventions: the lightning rod, the flexible catheter (I don't want to know what they used before), swim fins, bifocal glasses, the odometer, daylight savings time, the Franklin Stove, and a library chair that converted into a stepladder, among countless other inventions and improvements. He invented a musical instrument in 1761 called the armonica, for which Beethoven and Mozart both composed music. He gave us our first understanding of the properties of electricity, founded the nation's first hospital, charted the temperatures of the Atlantic Ocean, drafted the Albany Plan, co-wrote the Declaration of Independence, and found time to create the first franchise system on these shores. Back on September 13, 1731, in the city of Philadelphia, Franklin entered into a contract with Thomas Whitmarsh for a "Copartnership for the carrying on of the Business of Printing in Charlestown in South Carolina." The printing shop that Franklin formed with Whitmarsh also published the South-Carolina Gazette as well as being the local printer of many of Franklin's writings including his "Poor Richard's Almanack."

The agreement required that during its six-year term "the Business of printing and disposing of the Work printed shall be under the Care, Management, and Direction of the said Thomas Whitmarsh and the working Part performed by him or at his Expense." Further Whitmarsh was obligated to purchase his printing material from Franklin: "Thomas Whitmarsh shall not during the Term of the Copartnership aforesaid work with any other printing Materials than those belonging to the said Benjamin Franklin." Whitmarsh even agreed to an in-term covenant that he would not be in any other business but printing, "...nor follow any other Business but Printing during the said Term, occasional Merchandize excepted." The agreement did not impose any of these restrictions on Franklin, which was essential if Franklin were to enter into similar arrangements elsewhere.

Franklin during this period was the Postmaster General of the Colonies, enabling him to control, to a great degree, the distribution of news. From that position of power, Franklin entered into similar relationships with other printers throughout the Colonies. During his long stay in France, where he successfully negotiated the French participation in our War of Independence, a substantial portion of his income came from his franchised chains of printing stores. Without the French, there is little doubt that there would be no United States today; and without the income that Franklin earned from franchising, and which supported him for many years, the argument can be made that his enlistment of French support would not have been possible.

In addition to Franklin, there are references throughout U.S. business history about government monopolies and early business relationships that appear to be quite similar to modern-day franchising. These include Robert Fulton's licensing of his steamboats in the United States, England, Russia, and India and the licensing of general stores at military outposts and certain markets that sold livestock and other goods in which exclusive territorial or other rights were granted.

Back in the day

Throughout its long history, three constants have fueled the growth of franchising: 1) the desire to expand and control, 2) limitations on human and financial capital, and 3) the need to overcome great distances. The use of franchising can be traced to the expansion of the church and as an early method of central government control, probably before the Middle Ages. Some historians have written that franchising may date back as far as the Roman Empire or earlier and, given the necessity of large territorial controls coupled with the lack of modern transportation and communication, this is a reasonable assumption. Lloyd Tarbutton, in Franchising: the how-to book, dates the first business format franchise to China in 200 B.C.

Franchising was used in England and Europe, where the Crown owned lands and other properties and granted land rights to powerful individuals. In exchange for these land grants, the noblemen were required to protect the territory by establishing armies and were free to set tolls and establish and collect taxes, a portion of which was paid to the Crown. As it was an agrarian society, control over the land represented an enormous power and was the foundation for the feudal system in which the nobles paid "royalties" to the Crown for the rights to own and work the land. In turn, the nobles divided the land among the local farmers or vassals who paid for that right, usually with a portion of the crops they grew. This system of governmental control existed in England until being outlawed at the Council of Trent in 1562.

The story of Robin Hood was simply the tale of such a franchise relationship, with King Richard as franchisor, Prince John as his master franchisee, Robin's family (the Lockslies) as the local nobles in Nottingham, and the local citizens working the land for the Lockslie family. The Sheriff was undoubtedly just a poorly trained field consultant. Among its other lessons, the story shows the danger to a franchisor of international expansion before your domestic operation is ready.

With the economic opportunities presented by the discovery of the "New World," the colonialism of the period, and the emerging international trading opportunities in Asia and Africa, governments and private companies used franchising to expand and exercise control over great distances.

The Dutch East India Company, founded in 1602 as a franchisee of the Dutch Republic, conducted trade between the Cape of Good Hope and the Straits of Magellan. The company's stock was valued at 6.5 million guilders at the time. Acting almost as a sovereign power, they conquered territory from the Portuguese and established a headquarters in Jakarta in 1619 as a base for trade with Japan. In 1641, the Dutch East India Company fought off British attempts to break into the spice trades and, turning west, engaged the services of Captain Henry Hudson to explore the New World. Up until 1609, Hudson had been an employee of the English Muscovy Company, a franchisee of the British government. His finding of the Northeast Passage gave the Dutch their claims over the Hudson Valley in upstate New York as far as Albany. By 1799, fortune turned against the Dutch East India Company, which filed for bankruptcy. All of the assets of the company were taken over by the Dutch Republic.

In 1607, the King of England granted a charter for Virginia to the London Company, which hired Captain Christopher Newport to settle the area. Captain John Smith succeeded Newport in managing the first permanent British settlement in the New World, which was named Jamestown. The story of

Jamestown is well known, and following the massacre of 347 settlers by the Powhatan Indian Confederacy on March 22, 1622, the King of England, charging mismanagement of the area by the London Company, withdrew its charter. In 1624, the Colony of Virginia came under direct British control. Much of the colonization and exploration by the British and European powers in the New World were conducted under similar "franchise" relationships.

Franchising originated in Britain and Europe by the brewery industry to create a downstream distribution system for their products. Tavern owners, in exchange for financial assistance from the breweries, agreed to purchase all of their beer and ale from the sponsoring breweries. The breweries did not exercise any controls over the operation of the local tavern except for the sole purchase arrangement and were similar to Product and Trade Name franchising in the U.S. today.

Back in the USA: innovation

At the turn of the twentieth century, the growing mobility of Americans served as the impetus for the establishment of the country's retail and restaurant chains and manufacturing base. But it was an Englishman, Frederick Henry Harvey, who founded the first restaurant chain in the U.S. around 1850. Although his first restaurant failed during the Civil War, Harvey opened the first of the Harvey House restaurants in 1876 in a terminal of the Atchison, Topeka & Santa Fe Railroad. The railroad wanted to open depot restaurants for its passengers and provided Harvey with locations and free transportation of restaurant supplies. By 1887, there was a Harvey House restaurant every 100 miles along the 12,000?mile?long Atchison, Topeka & Santa Fe line. Harvey believed strongly in quality control, established regular field visits to his restaurants, and provided services similar to those used today by franchisors. The Harvey House chain was company-owned, but many of the lessons learned by Harvey became part of the structure of franchises later on.

Following World War I, the advance of the automobile gave birth to another restaurant innovation, the drive-in. In 1919, Roy Allen purchased the formula for his root beer recipe from a pharmacist and, together with his partner, Frank Wright, began to make A&W Root Beer. Needing capital to expand, Allen bought out Wright in 1924 and began to franchise the A&W concept. The A&W restaurant offered car-side service provided by "tray boys," and later added women servers, or "car hops," on roller skates to serve the customers.

One early A&W franchisee was J. Willard Marriott, who opened restaurants in Fort Wayne, Ind. and Washington, D.C. during the 1920s. Marriott and his partner, Hugh Colton, opened the first A&W restaurant in Washington, D.C., and grossed $16,000 in their first year in business. As with many early franchisess, they brought innovation to the A&W brand. Marriott thought he could increase unit sales if he could get permission to add food to the restaurant. Today A&W is one of the brands in the Yum! system.

Because of the automobile, curb service, and an innovative hamburger cooked on onions, Billy Ingram and Walter Anderson opened their first White Castle restaurant in 1921 in Wichita, Kansas. White Castle created many modern innovations in the quick-service restaurant industry, particularly in their use of advertising and discount marketing, the first take-out packaging to keep the food warm, and the folded paper napkin. Borrowing liberally from the White Castle format, R. B. Davenport in 1932 opened the first Krystal restaurant, which began franchising only in 1990.

During that same period, Howard Dearing Johnson acquired a pharmacy in Quincy, Mass. and began to sell three flavors of ice cream together with a limited menu of cooked items in his Howard Johnson restaurants. Howard Johnson awarded its first franchise to Reginald Sprague in 1935, and over the years expanded its menu to include 28 flavors of ice cream. Developing a distinctive roadside presence with its orange-roofed buildings, and featuring one of the first pylon signs with its name and logo, the company secured the first turnpike contract on the Pennsylvania Turnpike.

While the innovations of the early restaurant pioneers are still influencing franchising today, it was the automobile industry and the movement of a growing nation that created the opportunity and the need for these early restaurant chains to grow.

Many of the legendary franchised restaurant chains that began franchised operations over the next three decades include Kentucky Fried Chicken, established in 1930; Carvel, established in 1934; Dairy Queen, established in 1940; Dunkin' Donuts, established in 1950; Burger King, established in 1954; McDonald's, established in 1955; and the International House of Pancakes, established in 1958. The stories of these early pioneering concepts have been the basis for many books over the years, and the lessons learned are evident in the many food service chains that followed.

Hard lessons lead to growth
The earliest non-food franchises were relationships in which manufacturers established licensed selling and service locations for their manufactured goods through franchising. This can be seen in Singer Sewing Centers, McCormick Harvesting Machine Company, to a limited extent in the Harper salons (above), and later in the automotive and beverage franchises.

The Industrial Revolution in the U.S. started the mass production of consumer goods and created the opportunity for companies to produce manufactured goods at lower costs. This fueled consumer demand--and the need to sell and distribute products efficiently and cost-effectively over greater distances. Many methods of sale and distribution had been tried before franchising, including direct factory sales, sales through non-branded locations such as pharmacies, direct mail, and traveling salesmen. Ford Motor cars were originally sold through pharmacies. All of these methods were insufficient to achieve the downstream distribution needs of the manufacturers; the use of local sales representatives was most effective. General Motors sold its first franchise in 1898 to William E. Metzger of Detroit. By selecting franchisees and providing them with exclusive territories, hard goods manufacturers like GM and Ford were able to bring their products to market effectively and efficiently, and over longer distances.

As the auto manufacturers solved their distribution challenges and began the changeover from steam to internal combustion engines, the need to establish locations for these vehicles to obtain gasoline became critical. Lacking the capital required for purchasing real estate and establishing an adequate distribution system to meet the needs of the growing number of automobiles, the oil industry began to establish franchised dealerships across the country.

At the turn of the century, the high cost of transporting finished product in glass bottles kept soft drink bottling a localized industry. By shipping syrup concentrate to franchisees and requiring bottling under strict formulas and processes, soft drink manufacturers like Coca-Cola were able to control the quality of their product in distant markets, enabling rapid expansion without the need for the capital that company-owned development required. Franchisees obtained the rights use the Coca-Cola formula and valuable trade name, and the bottlers were able to overcome the transportation issues that had, until then, restricted their growth. In 1901, Coca-Cola issued its first franchise to the Georgia Coca-Cola Bottling Company.

Most of the early franchises were manufacturers, although some, like Martha Matilda Harper and Rexall were primarily service-based. In 1902, Louis Liggett formed a manufacturing cooperative among 40 independent drug stores, each investing $4,000 to start the manufacturing cooperative of the Rexall Drug Store chain. Following the end of World War I, the Rexall cooperative began to franchise independently owned retail outlets under the Rexall trade name, supplying franchisees with branded Rexall products. The main service provided by the Rexall franchisor was its ability to efficiently buy and distribute products for the franchisees, not necessarily the ability to sell product they manufactured directly.

One of the greatest innovations in franchising came in 1909 with the establishment of the Western Auto franchise. Up to that time, product franchisors sought franchisees with industry experience and, except for the supply of branded product, did not provide any significant business-related services. While still relying on the markup on product sales to its franchisees (rather than royalties on sales), Western Auto, similarly to the Harper system, provided its franchisees with many of the same services modern franchisors provide today. These included site selection and development, retail training, merchandising, marketing assistance, and other continuing services. Western Auto also sought franchisees without industry experience, as many franchisors do today.

While franchising continued to grow until the beginning of World War II, its truly explosive growth did not occur until after the war was over. Franchising emerged as a force in the post-war 1950s, taking advantage of pent-up consumer demand, available franchisees, ideas from returning veterans, and capital provided by separation pay and the GI Bill. The growth of franchising was further advanced by a change in trademark law that allowed franchisors to safely license their federally protected trademarks and service marks to their licensees. The Trademark Act of 1946, better known as the Lanham Act, provided trademark protection that became essential for modern franchising. Once potential entrepreneurs became confident of trademark and logotype integrity and protection, more and more individuals flowed into selling and buying franchises.

Franchising boomed in the 1950s and '60s and achieved almost mystical stature. Franchisors of convenience goods and services grew. Companies like McDonald's, Burger King, Wendy's, Kentucky Fried Chicken, laundry and dry cleaners, hotels, rental cars, automotive aftermarket, and temporary help companies proliferated throughout the U.S. By 1965, McDonald's had grown to about 1,000 units in only ten years and made its first public offering, which opened at 22, closed the day at 30, and closed its first month at 50. Nate Sherman's Midas Muffler during the same period had grown to 400 locations, while Kemmons Wilson's Holiday Inn grew to 1,000 locations and Jules Lederer's Budget Rent A Car opened its 500th franchise.

Time for some rules

The growth in franchising did not come without problems. By the latter half of the 1960s, the bloom had left the rose. Many franchisors focused more on the sale of franchises than on operating their systems and providing services to their franchisees. Many franchisors during that period made misrepresentations in the promises they used to attract franchisees, some based their sales effort on the use of celebrity names and endorsements, and many of those franchise systems failed. Some even sold franchises for concepts that didn't exist.

Out of these problems, franchise regulations began to emerge. Since 1968, beginning with the enactment of disclosure laws in California, various states have enacted laws regulating the offer and sale of franchises. Generally, these laws required franchisors to deliver to a potential franchisee, in advance of a sale, a disclosure document providing specified information on the opportunity. But it was not until the summer of 1979 that the Federal Trade Commission issued its Trade Regulation Rule on Franchises and Business Opportunity Ventures (the "FTC Rule"), which required franchisors in the U.S. to prepare a pre-sale Offering Circular and established minimum disclosure requirements nationwide. The FTC has proposed several changes to the format and content of the disclosure documents, and these new disclosure requirements will soon be in effect.

The emergence of sensible franchise disclosure regulation has been one of the most significant reasons for the success of franchising in this country. While most franchisors have always operated their businesses with integrity, the stain on franchising from the activities of the con artists of the post-World War II era made franchising seem more similar to multi-level marketing and other less reputable investment opportunities than to a reliable and generally safe investment. Today, it is because of franchise regulations that most investors, including Wall Street, view franchising favorably. While there are still tensions in the franchise relationship (and likely always will be), for the most part the issues between franchisors and franchisees are no longer based on how the franchise was originally sold, but on more substantive issues dealing with the management of the relationship.

According to the 2003 International Franchise Association Education Foundation study on franchising in the U.S., franchising accounts for approximately 760,000 businesses producing approximately $1.53

trillion, or 10 percent of our national output. Fully 9.7 million people work directly for franchisors and franchisees, and when you factor in the suppliers to franchising, more than 14 percent of all U.S. private-sector jobs have been created because of franchising. While there have been no documented studies in decades about the safety of franchise investments, the perception in franchising is that investing in franchising has significant benefits over non-franchised independent small-business ownership.

It is interesting to note that tracing the course of franchising demonstrates the difference between history and evolution. History is a documentation of what has happened in the past and is no more. Evolution is the tracking of an ongoing phenomenon that has continuously changed over the years and keeps altering its present form and future course. No one can doubt that the evolution of franchising has also been a genuine revolution of ideas, business concepts, and the entire economic process.

The evolution of modern franchising, created by the innovative companies and the pioneers that have led them, is an exciting tale in itself. The future, energized by still unimagined new concepts, new business techniques, and international expansion, promises to add still more dynamic chapters to the continuing and growing adventure of franchising.

One closing note on the future. In "The Demolition Man," a movie released in 1993, Sylvester Stallone awakens in the middle of the 21st century from a cryogenic sleep and is taken to a "fine restaurant" for dinner. As the car he is riding in pulls up to the restaurant you see a Taco Bell sign. Stallone's character, a product of the 1980s, is surprised and asks, "Taco Bell? I thought we were going to a great restaurant. Is this a mistake?" To which his driver replies, "Not at all. Since the great franchise wars, all restaurants are now Taco Bell."

TYPES OF FRANCHISING

The basic objective of franchising is the expansion of a business, by furthering the distribution of products/services. By virtue of this fact, franchising at a very broad level can be divided into two formats. The first type being a product /trade name franchise and the second type a business format franchise.

Under product / trade name franchising the franchisee concentrates on one manufacturer's product, and there by acquires the manufacturer's identity to some extent. Typical examples are automobile dealership and gas service stations.

Business format franchising has been defined as the granting of a license for a predetermined financial return, by a franchising company (the franchisor) to its franchisees entitling them to make use of a complete business package, including training support and the corporate name, thus enabling them to operate their own businesses with exactly the same standards and format as the other units in the franchised chain. Examples of business format franchising include restaurants convenience stores and personal and business services.

A franchise system may be a single unit franchise a master franchise or a regional franchise. Under a unit franchise the franchisee is granted the right to operate one unit or outlet of the franchised business – a unit franchise. This is simplest and most common form of franchising. A single franchisor may have more than one unit franchises.

Under the concept of master franchise, the franchisee is granted the rights to a substantial territory – usually a whole country. The master franchise then may set up unit franchises. The master franchisee in this case, acts like the franchisor. When in a geographically large area, a franchisor or master franchisee may decide to divide the territory up into separate regions and grant a master franchise for each separate region, it is then known as a regional franchise. The various relationships that can exist within franchising are illustrated below:
Franchisor > Master > Regional > Unit Franchise

Franchising is a relatively flexible method, and just about any type of business can be franchised. There are many types of franchises, that can be categorized according to different factors, like investment level, franchisor's strategy, operations, marketing and relationship models, etc. Franchising is a great way to become an owner of a small business. There are different types of franchises which you can choose from, they vary in terms of your position, your input into the business and the amount of involvement of the franchisor.

There are many types of franchises available. If you are looking to start a new franchise business based on a proven business model, it is important to know which industry sector you would like to be involved in, the level of financial commitment you have available or can raise, and the commitment of your time involved.

The *unit model* is the most well known model of franchising and the franchisor will usually expect only a percentage return from its franchisees, but will retain control over product development, branding and distribution.

A *master franchisee* will be able to control a group of franchises in a designated country, state or region and will usually have similar rights as a franchisor to establish market potential, recruit local franchisees and provide the training and support for their area.

Franchises are broadly broken into manual and executive in the way they operate.

Below are the major types of franchises:

1. JOB FRANCHISE

Typically, this is a home-based or low investment franchise that is taken by a person who wants to start and run a small franchised business alone. Franchisee usually has to purchase minimal equipment, limited stock and sometimes a vehicle. A wide and diverse range of services fall into this group, like travel agency, coffee van, domestic lawn care service, plumbing, drain cleaning, commercial and domestic cleaning, cell phone accessories and repair, real estate service, shipping service, pool maintenance, corporate event planning, children's services, etc.

2. PRODUCT (OR DISTRIBUTION) FRANCHISE

Product-driven franchises are based on suplier-dealer relationships, where franchisee distributes the franchisor's products. The franchisor licenses its trademark but usually does not provide franchisees an entire system for running their business. Product franchises deal mainly with large products, such as cars and car repair parts, vending machines, computers, bicycles, appliances, etc. Product distribution franchising represents the highest percentage of total retail sales. Some well-known product distribution franchises are Exxon,Texaco, GoodYear Tires, Ford, Chrysler, John Deere and other automobile producers. Sometimes franchisor licenses not only distribution, but also part of the manufacturing process, like in the cases of soft drink manufacturers Coca-Cola and Pepsi.

This franchise concept is similar to a supplier-distributor relationship. The franchisor is responsible for providing the product and the distributor is then able to sell the product on. The main thing that is given by the franchisor is the product whereas with the business format it includes training, support etc. With this type of franchise, the franchisee can be much more independent in terms of not having the restriction and guidelines that a business format franchisee has. However, a product distribution franchisee still has to follow certain guidelines such as selling the products on an exclusive or a semi-exclusive basis. The franchisee has to pay fees for using the trademark name and trademarks and the products that they are wanting to sell.

The product distribution franchise method is used often for larger products, such as vending machines and cars. Some of the big brands which use this concept are Coca-Cola and the Ford Company. Interestingly, although the business format franchise is the most popular, the product distribution franchise actually represents the highest percentage of total retail sales.

3. BUSINESS FORMAT FRANCHISE

The business format franchisee also gets to use the franchisor's trademark, but more importantly, it gets the entire system to operate the business and market the product and/or service. The franchisor offers a detailed plan and procedures on almost every aspect of the business, provides initial and ongoing training and support. Business format franchising is the most popular type of franchise system and the one generally referred to when talking franchising. Businesses from more than 70 industries can be franchised, and the most popular are fast food, retail, restaurant, business services, fitness and other.

This type of franchise is perhaps what most people refer to as a typical franchise. This type of franchise is when the franchisor gives the rights to trademarks, trade names, business process and the system in order for the franchisee to sell the product, for a fee. The franchisor is heavily involved in terms of how the service is provided and the business is run. This kind of franchise relationship comes with guidelines and expectations from the franchisor which the franchisee has to adhere to. There is also a binding contract/agreement between the two parties to bind the two for a certain period of time. The great thing for franchisees is that ongoing support, advice and training is given by experienced franchisors. Advice and good training can make a huge difference in the success of a business, therefore this is a great benefit.

The business format franchise is the most popular type of franchise system that is chosen by franchisees. Some of the biggest brands that adhere to this type of franchising are McDonald's, Dunkin' Donuts, Starbucks and KFC. You can tell how closely the franchisor and franchisee work with each other from these big brands by the similarity of the product and service in each branch you visit. For example, if you order a Big Mac from London, you can get the exact same burger in Manchester. Some of the most popular industries for business format franchises are fast food, fitness and restaurants.

4. INVESTMENT FRANCHISE

Typically, these are large scale projects which require a large capital investment, such as hotels and the larger restaurants. The franchisees usually invest money and engage either their own management team or franchisor to operate the business and produce a return on their investment and capital gain on exit.

This type of franchise requires a significant amount of financial investment and the franchisee will normally work in a managerial and advisory role rather than in a direct manor. For this type of franchise experience in managing a large team of employees is usual, such as a hotel, a restaurant, or department store. The franchisee, often a corporate investor, will delegate the running of the business to an executive team.

5. CONVERSION FRANCHISE

Conversion franchising is a modification of standard franchise relationships. Many franchise systems grow by converting independent businesses in the same industry into franchise units. The franchisees adopt trademarks, marketing and advertising programs, training system and critical client service standards. They also usually increase procurement savings. The franchisor in this model has a potential for very rapid growth in terms of units and royalty fee income. Examples of industries that extensively use conversion franchising are real-estate brokers, florists, professional services companies, home-services, like plumbing, electricians, air conditioning, and so on.

6. MANAGEMENT FRANCHISE

This franchise focuses on the franchisee managing the franchise. The manager does not really need to part take in the day to day running of the business. This type of franchise would be ideal for somebody with previous managing experience as it allows individuals with transferable skills to really take ownership of a business and lead it to success. Business-related skills such as having an entrepreneurial flair, preferably from experience, will only help you in the journey to success. For this type of franchise, you will also be required to pay fees for the ability to use the trademarks of a franchise, and your focus is on business development, overseeing the business and managing the team.

Management franchising is great for resale franchises, which are franchises that are bought from an existing franchisee, as all the operational day to day tasks and activities are in place including the existing staff. It may seem like you don't need to make changes and it's easy to run an existing franchise, however, there are certain things you need to consider. If your chosen franchise has not been performing well, then you may have to implement serious changes to the staff or the day to day operations.

This type of franchise is typically run from regional or geographic head offices and will involve the development, management and co-ordination of a group of operatives or team of providers for the service or product. This type of franchise can be either a manual franchise such as van based businesses and service sector providers or executive franchises such as training, education, and white collar services. This type of management franchise will not be directly dealing with the end consumers or receivers of the products or services. In this type of franchise, the franchisee will be responsible for the marketing and management of the business while staff will be responsible for the sales of the product or the provision of the service.

6. SINGLE OPERATOR FRANCHISES

This type of franchise will involve a single operator selling products or providing a service within a specific trade or industry. In this type of franchise the franchisor will provide the brand name or trademark together with relevant equipment, uniforms and marketing material in order for the franchisee to sell the products or deliver the services to an established standard and reputation. With smaller levels of investment, this type of franchise is suitable for home based business, mobile operators or smaller start up businesses. This type of franchise relies on brand recognition and quality assurance based on reputation and recommendation. An executive single operator franchisee, with the types of franchises including accountants, product or skill trainers and consultants, will have knowledge and experience in their field of business

7. BUSINESS TO BUSINESS FRANCHISES

The type of franchisee in these businesses will be out negotiating the provision of services or products to other business and will not be directly in touch with consumers. For this type of franchise premises may often be required for the production side of the business, such as printing, communications, or sign and design manufacture.

8. RETAIL FRANCHISES

This type of franchise will usually be owner operated from a retail outlet, in the high street or retail park. An established and proven brand with products and service will provide revenue from walk in customers purchasing direct. This type of franchise can be found in many different industries including fashion, IT, technology, food, education, leisure and services. Retail franchises will require the right location and customer base in order to create the sales of the products or services with good customer service through their employees. The retail type of franchise will often require significant investment with rent and design costs to create the image of the brand chosen.

FRANCHISING IN INDIA

Franchising in India is at a very nascent stage. However, this industry has clocked the annual growth rate of 30% with a market size of USD 7.2 billion, the second fastest growing industry. In the US, 45% of the sales come from **franchised** business; **India** is still to reach that stage.

India offers lot of potential for the franchising community & expected to reach US$ 20 billion by 2013. Franchising is still an emerging trend in India. It is still growing and as such, most of efforts by Indian franchisors are still inclined to franchise recruitment and sales unlike in the West where franchise management and ensuring franchisee profitability is the matter of greater concern. The picture is likely to change with the passing of time and after gaining experience and knowledge in the same domain. Few of the important sectors that are thriving well in this industry are:

Education Sector: India, with the largest youth population, is an attractive destination for the potential business opportunities in Education Sector. Its unquenchable thirst for quality education with world class training systems and its desire to fill the wide gap between the number of potentially employable people and corresponding training institutes available has led to a widespread demand for franchised education. This has given rise to the various education operators and service providers such as play schools, schools, institutes, development & training institutes, professional coaching operators etc. According to a survey, the growth of the education sector in the country is pegged at 35% amongst new concepts and it will continue to grow in the years to come. Keeping in mind the current market trends that need to be capitalized in India, the education sector further opens the doors for many entrepreneurs. Looking at the risk and profitable returns variation from business to business, franchising ensures a safe method to own a brand especially in the Education sector which is least effected territory even in the time of recession. Private institutions are typically perceived as hallmarks of quality education and given the demand, Indian education entrepreneur are ready with massive expansion plans, which will provide thrust for the education sector to grow multifold.

F & B: With the increased number of people preferring to eat out and spend more on food items, this sector has dominated the franchising industry like no other business sector. The market is flooded with food franchise opportunities of different categories suiting to different level of budgets. There are many different options for food and beverage franchising, such as fast food, health food, pizza, sandwich shops, ice cream parlor, smoothie, juice bars, cookie shop, candy outlet, and bakery as well as restaurant franchises. The Food & Beverage sector is expected to touch 45% of growth level in the near future. This may not be the least effected territory but is undoubtedly one of the safest ones to go in for.

Clothing & lifestyle: Changes in economy and lifestyle all over the globe have led to an increase is sales of clothing, shoes, jewelry and accessories which makes this a great industry to try to get into, particularly on a franchise level. People buy clothing, shoes and accessories quite often based on a brand name. When you buy into a franchise, you are getting that brand name with it so you are already a step ahead. Thus, this sector offers lucrative franchising opportunities with people willing to spend adequate amount of money on clothes and accessories. As consumers want the best clothes for themselves they are ready to make investments too. Thus, clothing industry will never be out of business if one gets to offer quality products as per the demand of the market. Industry statistics peg the Indian apparel market currently at Rs 1389 billion, growing at a Compound Annual Growth Rate (CAGR) of 12 per cent.

A Guide to Franchising in India

India offers enormous potential for foreign franchisors who tailor their brand to fit into the country's dynamic consumer market. India's huge market has created a space for competitive franchises to thrive while rising incomes have enlarged the demand for foreign brands.

To succeed in the Indian market, franchisors will need a robust understanding of the country's regulatory structure due to the absence of comprehensive franchise-centric legislation.

In this article, we explain the entry strategies for foreign franchises interested in establishing an Indian presence. We then highlight the legal precautions necessary for such companies to secure their position in the Indian market.

Growing allure of foreign brands
India’s franchising sector has steadily grown every year since 2008 and has the potential of hitting US$51 billion in 2017.

Franchising fits well in India’s current growth and urbanizing trends. Malls – hubs for franchises – have mushroomed in the country’s affluent metropolises and even in tier-II and even tier-III cities. Rising personal disposable incomes among India’s urban classes has led to an overall increase in consumption and brand consciousness.

Companies that simultaneously tailor their products to regional tastes while creating new market niches, can position themselves to tap into India’s rapidly growing and aspirational consumer demand. Domino’s Pizza, for example, opened their first outlet in New Delhi, in 1996 – at a time when relatively few pizza restaurants existed in the country. Now, the company boasts of over 1000 franchises across India – the largest number of outlets outside of its home country U.S.
Further, foreign franchisors will benefit from India’s league of entrepreneurs. Many Indians consider franchises, especially those with a foreign reputation, as a relatively low risk means of establishing a business in the competitive Indian market.

Choosing an appropriate entry strategy
India offers several entry options for franchises, which include:

- Direct franchising;
- Master franchising;
- Regional franchising; and
- Local incorporation.

Direct franchising is where a company creates a direct network of franchises. This works well for local companies with pre-existing experience in India. However, it can prove to be challenging to foreign companies entering India for the first time.
Master franchising is where a company awards exclusive rights to develop a foreign brand to a local entity, often accompanied with a large investment made by the franchisor. The master franchisee is then in charge of developing the company’s brand either through cultivating a sub-franchised network or opening outlets owned by the master franchisee (though the two are not mutually exclusive).
Regional franchising operates in the same way as master franchising but covers only a specific regional area as opposed to the entire country. Given India’s diversity along with the complexity of state-specific laws, many franchisors choose a regional franchising approach.
Local incorporation is when a foreign franchisor forms a subsidiary company and awards it franchising rights in India. The American fast food chain Subway, for example, has established a subsidiary in India, which handles their franchising network.
What sectors are most receptive to franchises?
Successful franchises in India generally reflect larger global trends. The most successful franchises world-wide cater to middle class tastes and attempt to capitalize on consumers’ leisure time, whether they be retail stores, cafes, or restaurants.

India offers additional avenues for franchising given the country’s high level of privatization in education and health care.

The most successful franchise sectors in India are:

- Food and beverage;
- Hotels;
- Retail;
- Beauty and fitness;
- Health care;
- Medical services; and
- Education.

Maneuvering through legislative gaps

India does not have comprehensive legislation related to franchising, meaning there are no direct, potentially restrictive regulations on franchisors. However, this lack of direct regulation creates tremendous confusion as a patchwork of national and regional laws arbitrarily governs franchisor-franchisee relationships.

The following laws impact franchisor-franchisee relations in India:

The Indian Contract Act, 1982; The Trademarks Act, 1999; The Designs Act, 2000; The Patents Act, 1970; The Copyright Act, 1957;	The Competition Act, 2002; The Foreign Exchange Management Act, 1999; Income Tax Act, 1961; The Consumer Protection Act, 1986; and The Arbitration and Conciliation Act, 1996.

Given this regulatory ambiguity, franchisors must pay close attention when drafting and agreeing upon contracts with franchisees.

A strong contract is essential in compensating for nonexistent or confusing regulations that can otherwise undermine franchise relations.

Foreign investment and franchise establishment

While franchisors may not imagine themselves to be investors, many franchisors inadvertently fall into the category of 'foreign investors', and are thus beholden to the rules of foreign direct investment (FDI). How do foreign franchises become foreign investors?

- When the franchisor directly owns outlets in India; or
- When a master or regional franchisee has some degree of corporate ownership.

Many foreign franchisors open their own outlets in India, usually to capture a portion of the profits or simply to serve as a training facility for new employees.

In other cases, a master or regional franchisee, which a foreign company partners with, may already have some degree of foreign ownership. In both cases, franchisors are participating in FDI.

FDI regulations can dramatically reshape a franchisor's legal responsibilities in India.

For instance, the Reserve Bank of India (RBI) previously mandated that single-brand retail companies with over 51 percent FDI must source a minimum of 30 percent of the value of their goods from Indian companies.

Now, relaxations to the FDI policy allows foreign retailers to meet this requirement – incrementally – within the first five years of their operations in India. Further, a retailer can source material from India for their international product lines but also have it count towards their domestic sourcing requirements. Most retail franchises fall into the single-brand category (retailers who exclusively sell their own products) and sourcing 30 percent of their products from Indian companies can prove to be difficult. Foreign retailers often struggle to secure regular access to quality products that can accommodate the scale of their production.

Retailers selling specialty items – foreign perfumes or advanced technologies for instance – can find these domestic sourcing requirements particularly challenging.

New franchisors should regularly monitor changes in FDI regulations.

Protecting your brand

With the Trade Mark Rules, 2017, India has created a faster, simpler, and more transparent registration process to trademark a brand. Furthermore, brands now have the option of listing their trademark on the Indian government's 'well-known' trademark list, which provides increased security.

Franchisors interested in being included on this list must prove the brand's reputation and pay a fee of approximately US$1,500 (Rs 1 lakh). While India struggles to maintain certain intellectual property rights, Indian courts do have a history of protecting internationally known trademarks.

When the American brand Calvin Klein entered the Indian market, they discovered that an Indian company had already been using their trademark. Calvin Klein had registered their brand's trademark internationally but not domestically in India. Despite this, the Indian court issued an injunction against the Indian company using Calvin Klein's brand.

Safeguarding your franchise from bankruptcy

Gruelingly slow processing times for bankruptcy and insolvency have plagued businesses in India in the past. The new Insolvency and Bankruptcy Code, 2016 aims to ease the process by consolidating existing policies, regulating insolvency professionals, and accelerating processing times for bankruptcy cases.The success of the new Bankruptcy Code will, inevitably, be dependent on the effectiveness of its implementation.

Contracts between franchisors and franchisees must take India's Bankruptcy and Insolvency Code into consideration; contracts should clearly stipulate that a franchisor can terminate an agreement with an individual outlet if they file – or threaten to file – for bankruptcy.

Preparing your franchise for effective conflict resolution

India has recently made it easier for foreign companies to resolve disputes. But, foreign franchisors often prefer to take cases of arbitration to their home countries.

Foreign franchisors have the option of stipulating in what country potential arbitration between the franchisor and franchisee would take place: the home country of the franchisor or India. India is a member of the UN Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958 (otherwise known as the New York Convention), and therefore, recognizes and enforces international arbitration awards.

Foreign franchisors usually insist on holding legal resolutions in their own home country. Franchisors often make this decision out of weariness at dealing with backlogged Indian courts and Lower Court judges who may not possess the economic understanding to process complex, multi-national issues.

Arbitrations held outside India, however, cannot seek interim relief within the country.

Do your due diligence: Regional tastes, regional laws

Foreign franchisors have a lot to gain from entering the Indian market, so long as they take legal and contractual precautions. Not only must franchisors tailor their products for regional tastes in India, they must also modify their business models for regional laws and business norms.

Beef, for example, is not only religiously and culturally taboo among many Indians but is also illegal in certain states. Foreign restaurant and fast food franchises like McDonalds have achieved success in India by replacing an otherwise beef-based menu with chicken and vegetarian choices.

Foreign franchisors should be cautious and conduct due diligence when choosing their entry strategy into India. Above all else, franchisors should ensure that their contracts with franchisees compensate for the lack of franchise-related regulations in India.

An Overview of the Indian Franchise Industry

One major advantage that players in the franchise industry have is that the business model and products/services are already established. It becomes much easier to run a readymade operation, and at times, even support for training and planning of finances are provided by the owners to new franchisees. This is just one of the reasons why the sector has achieved success worldwide, including in the Indian subcontinent.

The model of franchise management began in the 1990s in India, with the start of the era of liberalisation. This system was initially adopted by a few educational institutions and IT companies for business expansion and was slow to grow at first. But today, the franchise industry in the country has several well-known brands in various cities operating under this model.

While the industry is in its nascent stages in India as compared to other trades, the growth in the sector has been strong – a figure to the tune of 30% annually. According to Gaurav Marya, Chairman of Franchise India, *"The franchise industry in India is today estimated to be at USD 47-48 billion."* And going by recent trends, it seems that this figure is only set to rise in the future.

Franchise Industry in India: Causes and Growth

The easy business model that franchising offers is a major reason why the industry is growing in leaps and bounds all over. However, there are several more reasons behind it becoming such a huge success and among the fastest-growing sectors in India:

- ***Lower rate of failure***: Compared to other start-up ventures, franchises have a reduced chance of failing since the business concept has already been worked out. Existing loopholes are taken care of, and there is a proven model of what works and what does not – so franchisees are more eager and confident about investing in such businesses.
- ***Demand for franchised business***: The rising purchasing power of the Indian middle class coupled with an increase in brand awareness has created a substantial market demand for international brands that retail primarily through the franchise system. In addition, being a country of over a billion people, the Indian market provides huge numbers in sales simply because the number of consumers are so high.
- ***India as a big market***: Due to the demand in India, foreign investors and brands, mostly American, view the country as a big, beneficial destination to set up franchised outlets. The franchise model also works across diverse fields like food and beverage, beauty, healthcare, and many more – thus allowing a greater number of companies with varied products and services to set up successful franchise businesses across the country. *"India, being one of the fastest-growing economies in the world, offers good opportunities in this emerging business model,"* believes Chackochen Mathai, founder and CEO of Franchising Rightway.
- ***Privatisation in different sectors***: Gone are the days of consumers having to depend on a single service. With privatisation of everything in India from education and healthcare to telecommunication, there has been a constant rise both in the arrival of international brands in the country as well as national retail chains. And with it, the scope for franchising has gone up, too. Names like EuroKids, Guardian Pharmacy, and Ferns n Petals are just a few examples of successful privatisation and franchising in India.
- ***'Indianisation' of products and services***: Understanding the customer segment and catering to their specific needs is a key part of any successful business, and this is a major reason why franchised outlets in India have built such a massive consumer base. Most big brands in the country have customised their offerings to suit the Indian palate, such as McDonald's, Domino's Pizza, and even hospitality services. With the demographic makeover that India is experiencing with a middle class that has increased disposable income, there is a steady growth in the number of consumers for branded products and franchised names.
- ***First-time entrepreneurs***: Reports indicate that the Indian franchise industry is being driven by young people who are opting for franchising as their first entrepreneurship venture. These new entrants choose to be franchisees due to the minimised risk and already-established model, which provide almost-instant benefits and freedom in business. In fact, currently about 35% of Indian franchisees are first-time businessmen, contributing substantially to the growth of the sector in India.

TRENDS FOR INDIAN FRANCHISING

Way Forward for the Indian Franchise Industry
Recently, India was projected to regain its position as the fastest-growing economy in the world, with the country's GDP growing to 7.2% in the last quarter of 2017. According to estimates, this number will further rise to 7.8% by 2019.

This spells good news for all sectors, and particularly, for the franchising industry. According to Gaurav Marya, India has already made its place as the second-largest franchise market globally (after the United States). With around 1.5 lakh franchisees and 4,600 franchisers operating in the country, he envisions that *"this industry would grow to at least about USD 140-150 billion"* in the next five years.
Market watchers also believe that despite the boom in franchising, India still has untapped marketing potential within the industry. This means that the sector is set to grow even faster in the coming years.

Trends That Will Define Franchising In 2018
The business field is full of risks; one has to keep his/her sense organs open to sense the changes taking place in and around the industry.

'Change is the only constant', this proverb sits perfectly for all the situations, a thing, person, or business go through.

The business field is full of risks; one has to keep his/her sense organs open to sense the changes taking place in and around the industry.

The sensing of the changes is not enough, one has to be well equipped to adapt the changes, while moving on, because there is no time to sit and relax. There are people waiting behind you to topple you to the corner and overtake your business or take over your business.

A study by the market research firm Zinnov said, India, which is home to about 4.88 crore small and medium business (SMB)s provides employment to 81.16 million individuals and is all set to become the largest SME nation globally.

Micro enterprises account for 95% of total SMBs, small & medium put together hold the remaining 5% share and 55% of SMBs are located out of urban cities whereas 45% are situated in rural areas.

Technavio has released a new market research report on the global SMB and SME NAS market, which is expected to generate revenues of $18 billion between 2016 and 2020. The report also read that global SMB and SME NAS market is set to grow at a CAGR of 33% by 2020.

Here are a few upcoming franchising trends, which are going to shape the franchise industry in coming years, as per predictions:
Multi-brand Franchisees:
There is enough space for new companies to come up and establish their brand, whereas there are well established brands, who are also trying to try multi-branding techniques.
These well established brands want to try and invest in other ideas, those hit their heads. For example there is a franchise company, which has carved its niche from the scratch with a fitness shoe manufacturing company, now it wants to try its hands on restaurant business.
Multi-branding is going to become a trend in near future, when many successful companies are going to try the opportunities available in other fields.
Green Business:
The growing awareness among the people especially about global warming and limited resources, has led the entrepreneurs and businessmen to look out for other options.
The other options include, identifying the energy saving equipments, encouraging the use of solar panels, usage of recycled materials and more of the items, which are LEED certified.

This will encourage other companies as well to use alternative methods to reduce the usage of limited resources and participate less in causing global warming, because the ultimate sufferer will be everybody.

Customized Products and Services:

Whatever century may it be, customer satisfaction is the ultimate goal of any business. Thus customers are in no mood to accept anything, being offered to them.

Customers prefer services or products as per their choice, which is a fair part as they are going to pay and use the product or service. Thus trying to push anything down the customer's throat would not only cause harm to the sale of products or services but also will cause damage to the reputation of the brand. The change of taste and need as per time and choice is going to shape the brand in future.

Influence of Social Media:

Social media has come a long way and has replaced the advertisements and marketing business, which earlier were limited to offline media.

At one hand social media can really help in triggering the brands' name, on the other hand can totally rupture the entire base of the brands.

Thus a very active feedback and customer service is a must for any brand to grow, who will in respond to the customer's query or problems in the right time. If this be neglected, people are not shying away from putting it out there to the world, by posting on social media and this can cost a huge for the brand to build the reputation all over again.

These tiny flairs can cause a company's downfall in no time. A healthy and active social media team is the prime need of any company to run smoothly.

5 Key Food Franchising Trends Hitting 2018

2018 is going to be a path-breaking year for food franchising in India. It's going to be the year of millennial centric QSR brands, health & organic food. Also, we are going to see growth of regional food franchising kicking off in the year to come. Young India's disposable income is increasing day by day and youngsters aged between 15-25 have lots of disposable time and money to spend. Eating out has increased tremendously outshining with new habits and trends.

1. **The rise of the QSR Segment:** Social networks like Instagram and Face book has changed the way youngsters make their food choices. Food centered around youth like Waffles, Milkshakes, Poutine, and New age dessert QSRs are expected to flood the market through franchising. Due to less investment size, aspirational product leading to high tickets and high store level profitability these franchises make an attractive preposition for an investor who wants to owns a food franchise. 2017 has seen immense growth in categories of waffles, milkshakes and poutine whereas 2018 will bring out the category leaders in these products.
2. **Specialized Products will Grow:** Encouragement of entrepreneurship in India and inclination of next generation to diversify in the exciting food business will drive excessive franchise demands in these categories. Due to deeper penetration of social media, western street food has become very accessible and aspirational for the Gen Y, giving opportunity to restaurant operators to build and lead the category of such specialized products. The year to come will also see brands growing in the category of Pancakes, churros, tex-mex, cookies and artisanal ice creams.
3. **Focus will be on Organizing Sector:** To cater to the millennials meals market, brands that are serving "the new staple" viz burgers, pizzas, pastas, milkshakes and similar products will get organized and grow through franchising. Frequent eating out habits and acceptability of such food in day-to-day diets will make franchising of such brands sustainable. Generally speaking, the year to come will see growth of organized players offering good "staple food".
4. **Healthy will be Trending:** We have seen eruption of lots of health centric brands in the last couple of years. These mom-pops brands have seen huge success in their respective regions and the tier 1 cities of India are now ready to have more of such outlets. The trendsetters in health food segments will only grow in 2018. 2018 will also see the beginning of franchising of organic and vegan food brands as there is lots of awareness of the segment.

5. **Traditional will Keep Growing:** Real authentic regional food has found deeper acceptability within varied age groups. Brands focusing on real regional cuisines like *coastal, malabari, goan* specialized regional south Indian cuisine will have a better case to start franchising their stores and take the regional cuisine to various parts of India. This trend will establish a much-awaited trend of Indian brands making a global mark and 2018 will form a pivotal year in the history of Indian food franchising growing in countries outside of India.

It will also be very exciting to see growth of franchising in segments of specialized teas and coffees, delivery cloud kitchens, food entertainment hubs, food pop-ups and highway food courts. With so much competition in food franchising, India will soon have its first locally grown Restaurant Franchising Management Company in 2018.

INFORMATION TECHNOLOGY IN RETAILING

which can be used by retailers for ...

MEANING OF INFORMATION TECHNOLOGY AND ITS GROWING ROLE IN RETAILING

Information technology or IT refers to the technology of the production, storage and communication of information using computers and micro electronics.

IT is concerned about both the equipment used to produce, store and communicate information as well as the application aspect of IT. Usually IT is referred to in terms of *'Hardware'* and *'Software'* or *'Communications'*. But here the context of IT will be with reference to how it can be used to help solve retail business problems.

Using IT for Competitive Advantage: Generally retailers take the help of IT in carrying out basic functions such as systems for selling items, obtaining sales data itemwise, control of stock, buying, management reports, customer information and accounting. Today, retailers are interested in using IT to gain competitive advantage. For this, retailers will have to differentiate their service offers from competitors and adopt innovative ways to serve them.

M. Lowe and N. Wrigley opine that there are three ways in which retailers have used IT to position themselves with a cutting edge of technological development.

- *Investing in IT* along with organisational changes, improved retail logistics, reduction in lead times (delivery) all which have *resulted in a progressive reduction in retailer inventory holding.*
- Redefining and refocusing of many of the successful firms and using information about consumer demand *to re-frame retail policies and sell products and own brands.*

- *Use IT to measure staff performance, reduce costs by making use of information relating to transactions and performance levels.*

The impact of IT are being felt by retailers who, are able to operate their business to create phenominal efficiencies by using bar coding system, Electronic Data Interchange (EDI) and so on. Table 9.1 gives a view on how retailers have gained certain cost and productivity benefits and marketing benefits by using IT.

Cost and Productivity Benefits	*Marketing Benefits*
• Efficiency in time with increase in transaction speed.	• Improved data handling—forecasts of stock, promotion activities etc.
• Reduction in queuing time.	• Faster distribution systems cycle.
• Reduction in operation costs.	• Benefits by improved trading partner relationship.
• Improvement in administration—handling invoices etc.	• Facilitates quicker responses to changing market conditions.
• No new keying is required.	• Passing on benefits of efficiency in operation to consumers *e.g.* Shorter queues etc.
• Shorter lead times.	
• More efficiency in stock holding.	• Able to build database on consumer loyalty.
• Possible to make price modifications whenever necessary.	• Faster movement of merchandise with improved data handling, so more selling space with reduced stockholding.

Table 9.1. Cost, productivity and marketing benefits through IT.

Organised retailers in India are varied in their use of IT infrastructure which ranges from simple POS systems to complex retail ERP ones. Large retailers having more than 30 stores use ERP packages for their back office systems and employ custom built solutions. Small retailers having less than five stores usually use a vendor developed POS system connected to an inventory system. Thus retailers are interested in using technology so as to work with customers and suppliers proactively and flexibly and then build retail management systems which will make them more competitive. A few ways to gain competitive advantage from it could be:

- Adopting *automating processes* which will help to reduce costs, increase accuracy, cut processing times, take faster decisions and speeds up customer services (example through EPOS).

- Obtain *data* about different shoppers *to be analysed* for developing different loyalty programmes. (Through specific offers for loyal customers).
- Analyse data to *understand impact of various marketing decisions* (Use EPOS data to obtain feedback of customers on their marketing programmes).
- *Inventory management* through communicating with suppliers [Use electronic commerce (or e-commerce) to understand the replenishment needs of the stores and transmit information and EPOS data to the organisation] regularly.
- *Adding value to the retail transaction* which is IT assisted (Use of ATMs by banks have ensured customer satisfaction due to greater transactional speed, accuracy and convenience).
- *Facilitates online shopping i.e. technologically enabled shopping*—selling goods over the internet (*Fab Mall,* enables its customers to place order for goods over the internet) or from multimedia kiosks is becoming popular. In case of a kiosk, it is a free standing enclosure designed to match the decor of the store or sales area, with a powerful computer inside, which is operated through a touch screen.

Indian Scenario

It is believed that technology will have a profound impact on the retail and manufacturing industries. Retailers have come to rely heavily on the information technology infrastructure to carry out various transactions. Typically areas in retailing where Indian retailers are using technology include:

- Sourcing and vendor management.
- Merchandise planning and management.
- Internal store operations.
- POS operation and billing.
- Customer relationship management.

The Indian market is full with retailers being offered different software solutions, by vendors, ranging from single store solutions to those for medium sized retailers. The globally popular Retail Pro is a good fit for retailers with 1-50 stores and has found acceptance in India as well. There are also higher end solutions like JDA, SAP IS Retail or Retek, which are suitable for larger retailers with more than 300 stores.

India is being referred to as an IT superpower and considering the projected growt n the retail segment, many IT companies have initiated a retail wing and are proactivel rying to grab the emerging opportunities.

Shoppers' Stop has always believed in technology as a part of its growth plans and had decided to invest in IT during the period 1997-98 and revamped its existing basic system to keep pace with the future expansion plans and decided to implement a higher-end solution JDA system. Incidentally, the importance given to technology by Shoppers' Stop can be evident from the fact that the comany's very first bill was computer generated. And the trend still continues in all its business strategies. Shoppers' Stop has grown from being just another department store to one of the country's largest fashion and lifestyle retailer for the family, with more than 25,000 customers visting their outlets every day.

ROLE OF RETAIL DATA CAPTURE IN RETAIL TRANSACTIONS

In order to gain competitive advantage from IT, it involves a long term investment on the part of the retailer, on a continuous basis and also to make improvements in most of the functional areas where IT can add value. For all this, there is a need to collect timely data on all retail transactions.

Retail data capture i.e. data collection of every sales transaction at the point of sale is a very important element of retail IT. This can be done either by using an EPOS (electronic point of sale) equipment or this data can be directly entered into a computer using a keyboard. A whole lot of accurate information about customer purchases, the sales of individual merchandise lines or other specific information such as how payment has been made by the individual customer for the product(s) purchased, a customer loyalty reference number, the time and date when the transaction took place, etc. can all be obtained through data collection.

Retail data can help in implementing a number of marketing decisions:

- Retail data can help to *analyse the likely performance of new product lines* and also measure its impact on the sales of other products by using EPOS. The EPOS system will enable the manufacturer through the retailer, test market the impact of new products in their stores.
- Retailers can also use EPOS to provide accurate and timely information about the buyers *response to their promotional activities* carried out at their stores.
- *Extensive, timely and accurate sales data generated by* EPOS systems *can be frequently* (or whenever required) *obtained* and has become a crucial source of marketing information for retailers and supplier marketing departments.
- Retail data can *help customers to enjoy the benefits of being well informed*, which will also be beneficial for the retailer, for 'a well informed customer' is potential business for them.

APPLICATIONS OF IT TO RETAILING

A very essential element in the application of new IT systems to retailing is the *'rapid data communications'*. This involves exchange of data between individual stores, depots, head offices and suppliers using a range of networks. The main types of system for data exchange include :

- ***Retail Data Transaction File Exchange:*** Stores and depot transmit EPOS sales data files, financial transactions data and a range of other data electronically to head office computers for processing and analysis.

- ***EDI and e-commerce:*** The use of electronic data exchange (EDI) provides the electronic administrative management of replenishment through a system of product dispatch and returns. Through EDI, the retailer has many benefits—is able to become more efficient with enhanced merchandise availability, lower spoilage and shrinkage costs, improved merchandise tracking, lower administrative costs, provide fresher products (for food retailers) for customers and timely offers in store, etc. Thus while sending orders to suppliers and depots electronically, it not only saves time but also there is no need to re-key order information.

Intranet and Extranet: Intranet is a formal system which facilitates exchange of business data within an organisation. Whereas, Extranet (also termed Web EDI) is a new concept and is used to describe the way in which businesses will use Internet technology for business-to-business communications. (Most of the above terms are covered in depth in the subsequent chapters.)

Thus, IT has made e-commerce very easy, with the ability to inexpensively store more information at different virtual locations, the availability of powerful and inexpensive means of searching, organising and disseminating such information, interactivity, ability to provide information on demand, and the ability to serve as a transaction medium (a physical distribution medium) for various merchandise.) The impact of IT is felt across the country and the benefits reaching every nook even in rural India as revealed in Box 9.2.

IMPACT OF INTERNET EVEN IN RURAL INDIA

Rosy opens her PC, logs on to Yahoo chat and types out a message "Madhu are you there?" Comes the reply "Yes, what's the matter?" "Can you tell me where I can find information on colleges which offer diploma courses in automobile engineering?" "Give me a few minutes. I'll find out and send you an e-mail." Five minutes later she opens her e-mail and finds a few URLs relevant to her query. Common enough scenario, right? Happens between friends all the time. Easiest way to get information using the internet and a little help from friends. Except that Rosy lives in a small village in the state of Tamil Nadu in India called Padinettamkudi about 22 miles from the nearest big city, Madurai. Padinettamkudi has about 1000 people, does not have any public telephones, does not have a road leading to the village and the local school offers classes only up to the eighth grade. A few months ago, most people in Padinettamkudi had not even seen a PC, much less used one. And today, in this little village, Rosy is one of the many stakeholders in a mission to make internet a part of the reality of every individual in rural India. She is a *Village Internet Kiosk Operator,* managing a kiosk in her village, set up for her with the assistance of n-Logue, a Rural Internet Service Provider, incubated by the TeNet Group of IIT—Madras, a premier educational institution in Chennai. Using the services n-Logue enables for her, she is able to bring the benefits of the Internet to the people of Padinettamkudi. The kiosk equipment cost Rs. 51,500 and was bought by a local retailer with a loan from a bank. He appointed Rosy to run the kiosk for him for a fixed salary and a percentage of the points.

(*Source:* Alexander Elizabeth 'A Day in the Life of a village kiosk operator", 2002, n-Logue, Chennai.)

Box 9.2.

IT has impacted the Indian retailing industry, with many companies such as *Tata Consultancy Services, Hi-Tech* and *Zensar* distributing international brands such as Retail Pro, Retek, MS Global and others. Leading companies such as *Seacom Solutions, Vedha Automation* and *Polaris Retail Infotech* have developed retail automation products to help retailers to automate their critical business processes.

Seacom Solutions started in 1995 with the aim of becoming a leading retail business solutions partner globally. The company relies heavily on its working experience with international retailers to deliver customised retail solutions for their business. Seacom has got a *SmartShop* range of software products to cater to the technology needs of retailers. The products offered by Seacom Solutions are highly parameterised and can be configured by retailers to suit their way of working. The software has been integrated with leading software products like SAP Retail, Oracle Financials, SCALA etc. The software products useful to retailers include Smartshop POS, Smartshop Back Office, head office control and MIS (Smartshop HO) and warehouse management (Smartshop Warehouse). The software is in the form of scales and can be implemented at subsequent stores without disturbing the existing systems. Within a span of eight years itself after its inception, Seacom has established a relationship with accounts like *RPG Retail, Trent, Pantaloons* and *Videocon.*

Vedha Automation is a Bangalore based company started in 1990 mainly focusing on the apparel and footwear industry, with a workforce of around 65 people and operations spread across India, South Asia, Far East and the Middle East. Vedha's range of products known as Shoper is available in different modules to cater to different levels of needs of retailers. The list of components include Shoper POS, Shoper Enterprise, Shoper Warehouse, Shopercare and Shoper Distributor. Even leading Indian garment exporters such as *Arvind Mills, Madura Coats, Gokaldas Images, Nahar Industries, TCNS Clothing,* and *Jay Gee Fashions* have adopted the international EAN.UCC supply chain standards. This move was initiated by international buyers such as *Wal-Mart, Home Depot, Woolworths* (UK) etc. who instructed their Indian suppliers to adopt global supply chain standards in bar coding and global data synchronisation.

These large buyers have advanced SCM (Supply Chain Management) systems of international standards which facilitate applications like stock management, POS billing, logistics track and trace, collaborative planning, forecasting and replenishment enabling them to carry out their functions with speed, efficiency and accuracy to the everchanging consumer needs.

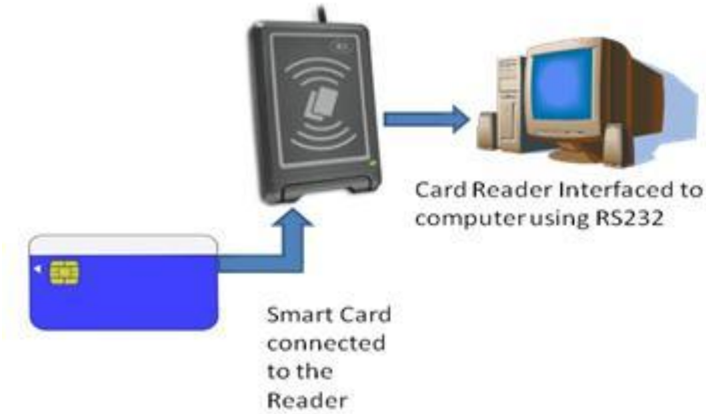
The EAN.UCC system is administered by EAN India, a non-profit organisation set up by various industry bodies and the Ministry of Commerce, Government of India, to promote global supply chain standards in India.

RECENT TRENDS

1. SMART CARD

A **smart card** is a special type of **card** like device which contains an integrated circuit **chip** embedded on it. The IC **chip** can be a microprocessor with memory or just simple memory circuit. In simple layman's words, a **smart card** is the **card** with which we can exchange the data, store it and manipulate data.

How does the Smart Card Works?
A smart card is connected to the host computer or controller via a card reader which gets information from the smart card and accordingly passes the information to the host computer or controller.



A Basic Smart Card Working System

What is a Smart Card Reader?
A smart card reader is a device to which the smart card is connected either directly or indirectly using RF communication. It interfaces with the PC or a microcontroller using USB port or RS232 serial ports. It can be a contact or contactless reader.

A Contactless Smart Card System

A Contact Smart Card System

Smart Card Reader

A **smart card**, **chip card**, or **integrated circuit card** (**ICC**) is a physical electronic authorization device, used to control access to a resource. It is typically a plastic credit card-sized card with an embedded integrated circuit (IC) chip.[1] Many smart cards include a pattern of metal contacts to electrically connect to the internal chip. Others are contactless, and some are both. Smart cards can provide personal identification, authentication, data storage, and application processing.[2] Applications include identification, financial, mobile phones (SIM), public transit, computer security, schools, and healthcare. Smart cards may provide strong security authentication for single sign-on (SSO) within organizations. Numerous nations have deployed smart cards throughout their populations.

Examples of smart cards

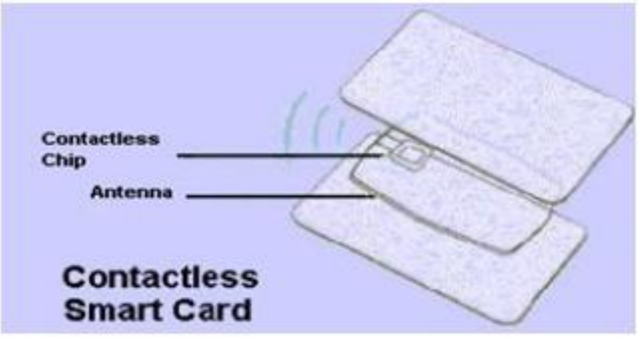
Smart card applications include: Payment **cards**, including debit or credit **cards** issued by commercial credit **card** companies and banks. Electronic benefits transfer (EBT) **cards**, which are used for distribution of government benefits such as the U.S. Supplemental Nutrition Assistance Program.

2 Types of Smart Card based on Connection to the Smart Card Reader

- **Contact Smart Card**: This type of smart card consists of electrical contacts which are used to connect to the card reader where the card is inserted. The electrical contacts are deployed on a conductive gold plated coating on the card surface.

A Contact Smart Card with Electrical Connections

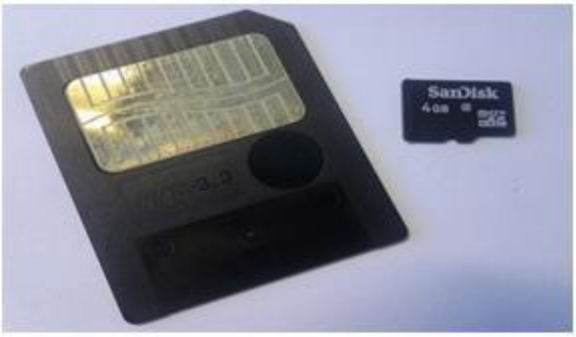
- **Contactless Smart Card**: This type of smart card communicates with the reader without any physical contact. Rather it consists of an antenna with which it is used to communicate using Radio Frequency band with the antenna on the reader. It usually receives power from the reader via the electromagnetic signal.



A Contactless Smart Card

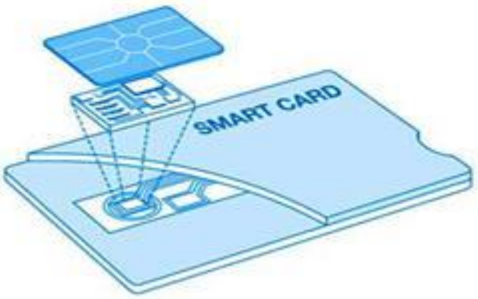
2 Types of Smart Cards based on their Functionalities and Configuration

- **Memory Cards:** These are cards which only consist of memory circuits. It can only store, read and write data to a particular location. The data cannot be processed or manipulated. It can be a straight memory card which is only used to store data or a protected memory card with a restricted access to the memory and which can be used to write data. It can also be a rechargeable or a disposable card which contains memory units which can be used only once.



A Memory Smart Card

- **Microprocessor Based Cards:** These cards consist of microprocessor embedded onto the chip in addition to the memory blocks. It also consists of specific sections of files with each file associated with a particular function. The data in files and the memory allocation is managed via an operating system which can be a fixed operating system or dynamic operating system. It allows for data processing and manipulations and can be used for multi functioning.



Microprocessor Based Smart Card

4 Steps to Construct a Smart Card

- The first step involves **designing**. The designing involves specifying the chip for the memory size, clock speed, volatile memory types, type of operating system and specifying the application software, specifying the card type, size and functioning and additional features.
- The second step involves **chip fabrication**. This involves mounting the silicon chip on an epoxy glass substrate with gold plated connectors, using a die. The silicon chip is bonded to the connectors using connecting wires (wire bonding technique) or using flip chip technology (using a solder). The chip on board substrate is then sealed using epoxy resin and glued to the card substrate. The card substrate can be PVC based plastic card or Polyester based card.
- The third step involves **loading the code** to the memory using special commands.
- The fourth step involves **data loading** into the PROM memory such that the data pertains to the single person.

Advantages of Smart Card:

- Might be promptly reconfigured
- Reusable
- Secure transactions
- Gives more security
- More tough and dependable
- Permit numerous provisions to be saved in one card

5 Areas of Smart Card Applications:

- **Telecommunications:** The most prominent use of smart card technology is in the development of **SIM card or Subscriber Identity Module**. A SIM card provides unique identification to each subscriber and provides network access to each subscriber and manages its authentication.

A SIM Card

- **Domestic:** The most frequently used smart card in domestic field is the DTH smart card. This card provides authorized access to the information coming from the satellites. In simple words the card with which we can get access to the Direct to Home TV services is nothing but a smart card. The information is encrypted and decrypted within a smart card.

A basic DTH System with the Smart Card

- **Ecommerce and Retail**: Smart card can be used to store information like a person's account details, the transaction details and can be used in purchasing goods online by acting as a credit card. Some retailers can also use smart cards to store points for a particular customer and provide necessary incentives to repeated customers.
- **Banking Application:** The most prominent use of smart card in banking application is the replacement of the traditional magnetic stripe based credit or debit card. An example is the MasterCard and VISA.

VISA Smart Card

- **Government Applications:** Smart cards are being used by Government to issue identity cards to individual, which contains all the details of the individual. An example is the recently started Adhar card scheme in India.

Adhar Card Model

- **Secured Physical access:** Smart cards can be used by Organizations or differed public areas to provide authorized access to the employees (members of the organization) or other persons to the secured areas. The smart card generally contains identity details of the individual which is scanned and checked.

A Sample ID Card for Organizations

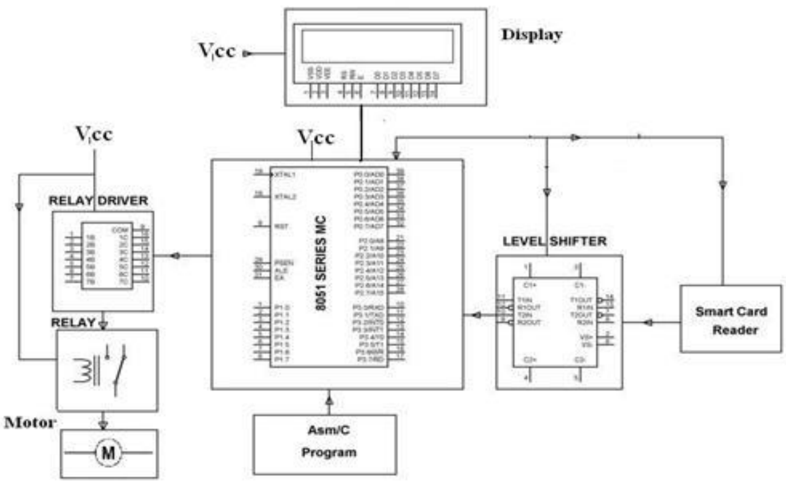
A Working Application of a Smart Card System to provide Authorized Access to Secured Areas
As seen, one of the prominent applications of a smart card is storing the identity of an individual. When the person tries to enter a secured area, the data in his/her smart card is checked with the available data in the database and if matched, the person is allowed access, else not.

A Smart Card System

The system consists of 4 main parts:

- A smart Card which is generally a contact memory smart card which contains the information about the individual.
- A smart card reader which is generally a contact smart card reader and is used to read information from the card.
- A controller which receives data from the smart card reader via the RS232 interface.
- A load which is a relay in this case, used to drive a motor and connected to the controller via the relay driver IC.

The Working of the System is as follows:



Block Diagram showing a Smart Card

System to allow Authorized Access

- The individual inserts his/her card in the card reader.
- The card reader sends the data to the MAX 232 IC through the DB9 connector.
- The Microcontroller receives the data from the MAX 232 and is accordingly programmed to compare the obtained information with the stored information in the database.
- If the data matches, the Microcontroller develops logic high at its output pin, connected to the input pin of the relay driver.
- The relay driver IC accordingly develops a low logic at its output and energizes the relay.
- The common contact of the relay is now connected to the normally open contact and the motor connected in series with the relay contacts is rotated such that the door is opened.
- In case the data doesn't matches, the microcontroller is programmed to develop logic low at its output pin and the relay accordingly doesn't get energized, keeping the door shut.
- The obtained output is accordingly displayed on the LCD which shows whether the data is matched or not.

So this is a basic overview of the smart cards. Any further details are welcome to be added.
Photo Credit:

- A contactless smart card system by Prowzer
- A contact Smart card system by t3.gstatic
- Contact smart card with electrical connections by Innoozest
- A Contact less Smart Card by Ukrfid.innoware
- A memory smart card by Farm9.staticflickr
- Microprocessor based Smart card by Andreonicards
- A SIM card by Sabermas
- A basic DTH system with the smart card by Wikimedia
- VISA Smart Card by Wikimedia
- Adhar Card Model by T2.gstati
- A sample ID card for Organizations by Wikimedia

2. E-CASH (Digital cash)
(ē′kăsh′)

Noun – electronic financial transactions conducted in cyberspace via computer networks; money that exists in electronic form and is used to pay for things over the Internet; money available as an electronic account, used in internet commerce.

eCash is an internet-based system that facilitates the transfer of funds anonymously. Similar to credit cards, eCash historically has been free to users, while sellers have paid a fee. Due to certain security concerns, however, eCash remains more of an idea and less of a fully realized, widespread payment system.

Breaking Down eCash
eCash uses blind signatures (a type of digital signature, in which the message's content is invisible prior to signing); no user is then able to create a link between withdrawal and spend transactions. The system was used by one bank in the United States, the Mark Twain bank; however, the system was dissolved in 1997 after the bank Mercantile Bank's purchasing it. eCash was a trademark of DigiCash, a firm that went bankrupt in 1998. Following this, eCash technologies purchased DigiCash. InfoSpace acquired eCash Technologies in 2002.

eCash began with a form of micropayments (smaller sized transactions).

Ecash was conceived by David Chaum as an anonymous cryptographic electronic money or electronic cash system in 1983. It was realized through his corporation Digicash and used as micropayment system at one US bank from 1995 to 1998.

3. DIGITAL RECEIPT

The **electronic receipt** or e-**receipt** is an **electronic Receipt** of any product or service that was purchased. **Digital receipts** are normally sent via e-mail or via an app. Unlike paper **receipts**, e-**receipts** are used to reduce paper usage. These e-**receipts** are used to inform the customer of rebates and discounts.

The **electronic receipt** or **e-receipt** is an electronic Receipt of any product or service that was purchased.

An electronic receipt, or e-receipt, is a proof of purchase issued instead of a paper receipt, usually via email, for any goods or services that have been paid for.

Implementation
Digital receipts are normally sent via e-mail or via an app. Unlike paper receipts, e-receipts are used to reduce paper usage. These e-receipts are used to inform the customer of rebates and discounts. Another important purpose is to use the digital receipts as marketing instrument. Another reason for the use of e-receipts is Business Intelligence. Through the usage of these e-receipts, companies can track their customers easier in terms of purchases, which supports the Business intelligence. Through this companies can adapt their marketing campaign towards the customers. The e-receipt helps to connect customers to their in-store purchases. Merchants can issue E-receipts using own mechanisms or use external services specialized on electronic payments.

Possible ways of distributing the email receipts may be to send an e-mail, an app, a website/web app or a BLE transmit on mobile. The general idea of the e-receipt remains the same, there are only different ways of distribution. There are many different companies that already offer their customers e-receipts. In the following part these different companies and technologies are compared and their pros and cons are discussed.

Life in the finance department can be frustrating at the best of times – sending invoices, chasing customer payments, keeping on top of the payroll and, of course, wading through the reams of receipts.

The advent of e-receipts has made life a lot easier though, and not just for the finance department, they can open the door to a whole new level of personalised customer marketing and engagement.

Why use an e receipt?
There are two main reasons to use an e-receipt – to save paper and save time.
As a customer, an e-receipt is easy to file and find if you need a receipt for tax or business reasons, want to return an item, or make a claim on a warranty.
As a business owner, an e receipt is a great way to build up a customer list, generate customer data and then cross-sell with personalised sales incentives.

The future of e receipt?
eReceipts, the world's leading digital receipts provider, is re-branding a Yocuda ('Your Customer Data') to launch its new service that enables retailers to identify and engage 100% of in-store customers in real time.

It is the first end-to-end data driven service of its kind and is geared to enable retailers to push sales and profit through improved customer insight, personalised marketing and tailored experiences.

The new service means retailers can put customers at the centre of all business decision making and create tailored experiences through linking customer transactions.

The vast majority (80%) of most multi-channel retailers' sales still originate in bricks and mortar stores, and the inability to use real time transaction data to understand customers habits limits the ability to provide optimised customer offerings.

Yocuda unlocks retailers' transaction data, linking it to customers to provide a Single Customer View and derive deep customer insights (allowing retailers to embrace behavioural along with demographic insights), enhance customer engagement and establish better operations, ultimately allowing retailers to profit from having a greater view of their customers' data.

- The award-winning company has tiered its services into four core product categories: eReceipts – the core technology that unlocks retailers' transaction data and enables them to send digital receipts)
- Yocuda Operations
- Yocuda Engagement
- Yocuda Insights

These new tiers facilitate retailers to create highly personalised real time customer engagement, from returns management and loyalty schemes to retention marketing offers and coupons at till.

4. DIGITAL PAYMENTS

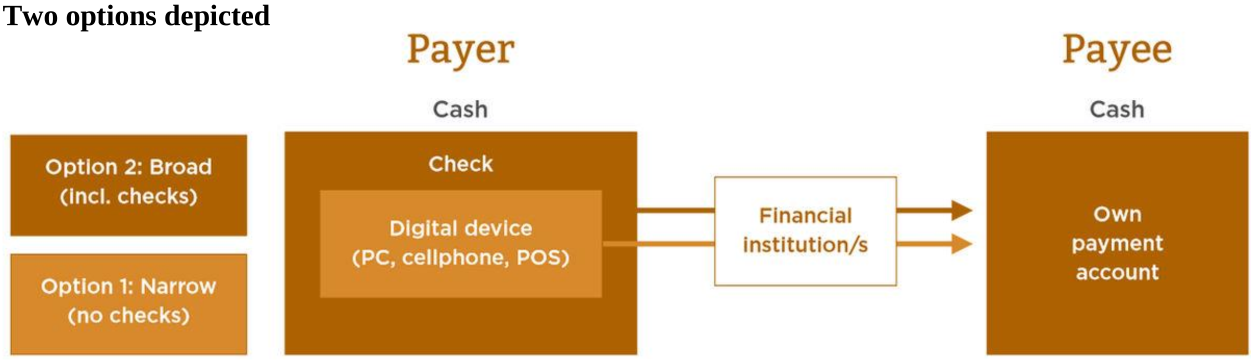
Digital payments are technically defined as any **payments** made using **digital** instruments. In **digital payment**, the payer and the payee, both use **electronic** modes to send and receive money. No hard cash is used.

Payments are made using payment instruments. Cash, for example, is a payment instrument. So too are checks. However, digital payments are not one instrument but rather an umbrella term applied to a range of different instruments used in different ways. In this section, we provide some parameters for creating this definition.

Since there is no one standard definition of a digital or e-payment, you should settle on a clear and implementable definition at the start of any measurement exercise. The subject matter is complex, but there are two key dimensions of categorization that are most important:

1. the nature of the payment instrument: through which means—paper or digital—are the instructions carried.
2. the payer-payee interface: whether the payer, payee, or both use an electronic medium in a payment transaction.

Two options depicted



View How others are defining electronic payments to see examples of defining digital payments for different measurement exercises.

RETAIL CONSUMER BEHAVIOUR

THEORIES OF CONSUMER BEHAVIOUR

Consumer behaviour refers to the psychological process that leads to a consumer's decision to buy a product or service offering. This process involves decisions in terms of what, when, where, how and from which vendor to make the purchase. This is influenced by:

- Psychological factors such as the personal thinking process that includes motivation, personality, perception and the consumer's attitude, the process of making the decision in marketing, consumer's interaction with friends, family and peers and making the choice of where to buy from, based on cost, features and product appeal
- Internal factors such as demographics, lifestyle, personality, motivation, information, beliefs and attitude
- External factors such as reference groups, culture, family, race, social status, marketing mix

Studying consumers enables businesses to create the most appropriate marketing strategies for their target audience. It allows them to understand issues including how consumers think and rationalize before they select a product from the choices available, what influences them, their behaviour when they shop and gaps that exist in information available with consumer. This presents them with the knowledge required to create marketing campaigns that elicit the desired response from the consumer. Consumer behaviour, besides its application in marketing strategy, is also used in social marketing to connect with the customer. There are several classical theories that view consumer behaviour from various points of views. This helps to understand different market segments based on which marketing strategies are created to capture those markets.

The science of marketing is increasingly important to success in the modern marketplace. Understanding human behavior — how people think and make decisions — can be illuminating for marketers. Studying consumer behavior can provide professional marketers with the knowledge they need to develop effective communications that motivate people to purchase goods and services.

A Brief History of Modern Marketing

The use of evidence-based approaches when selling products is a relatively recent phenomenon. As a science, marketing lacks its own research history. Instead, the field is a collection of work from other disciplines. These include psychology, sociology, social psychology, anthropology and economics, the University of Pretoria in South Africa explains.

Prior to the mid-20th century, businesses promoting their goods and services focused little attention on the individual behavior of their customers. Instead, their strategies focused on mass promotion. This involved impersonal campaigns that aggressively tried to convince consumers to make purchases. They were less focused on customer satisfaction with goods and services. These tactics ultimately proved ineffective.

In the early 1950s, marketers began to recognize the benefits of selling to customers already inclined to buy certain products. This discovery led to a shift in focus, with marketers examining the specific details of who their customers were and what they needed and desired.

Theory of consumer behavior in Economics describes how consumers allocate incomes among different goods and services to maximize their utility. Here consumer behavior is best understood in three distinct steps - consumer preferences, budget constraints, and consumer choices.

Theories of consumer behavior are a natural extension of human behavior theories. While no single theory is unifying, each one provides a unique piece of the puzzle in understanding the psychological processes of people and their patterns of consumption. Four theories stand out as influential for marketers.

Broadly, Consumer Behaviour Theories can be classified as:

1. Economic Theories

Consumer behaviour seeks to explain how a consumer distributes her income across various purchases and how pricing is a deciding factor. There are two theories here:

- Utility theory of Demand that deals with consumer satisfaction with the acquisition of a product. Introduced by British Economist William Stanley Jevons in 1870, it describes utility as the satisfaction or benefit that comes from consumption and assumed that this can be quantified and measured in "utils". Utility theory of demand gives rise to the Law of Diminishing Marginal Utility which states that as the consumption of a product increases, the satisfaction declines.
- Indifference preference theory – developed by economist Vilfredo Pareto, this is a more modern approach to consumer behaviour. Here, consumer behaviour analysis relates to consumer preferences of a combination of goods and services based on the nature of the goods and not from the ability to measure satisfaction.

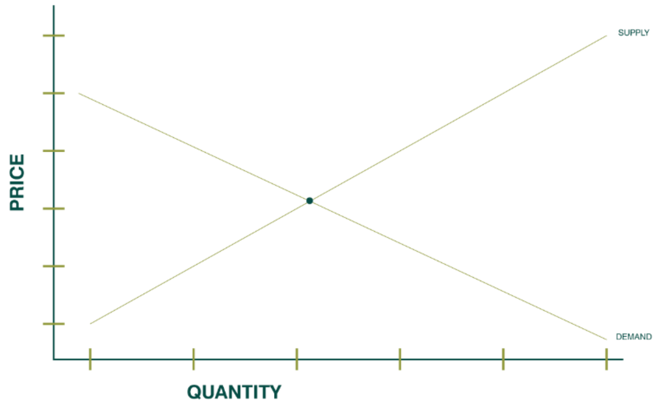
Keynes Psychological Law of Consumption

Postulated by Keynes, the Psychological Law of Consumption states that when income increases, consumption also increases, but not in proportion to the increase in income. This theory focuses on the fact that consumption relies on income and that there is a tendency to spend less on goods than the increment in income. This theory is criticized on the grounds that there are many factors influencing consumer behaviour, that do not relate to income.

Marshallian Economics

Alfred Marshall was an economist who believed that consumers buy their goods and services based on what offers the most personal satisfaction. Some have criticized this theory for being uninformative. (It is assumed that people buy what they like, if they can afford it.) However, the theory has given marketers several useful hypotheses. Some include:

- If a product's price is lower, the sales of that product will be higher.
- When there is a product and substitute of that product, sales of the substitute will be greater if its price is lower than the price of the original product.
- When the income of consumers is higher, sales of a product will therefore be higher, provided the product is not an inferior one.



Ultimately, the Marshallian model offers a way for marketers to understand the behavior of consumers when they are making purchases that require rational consideration.

2. Psychological Theories

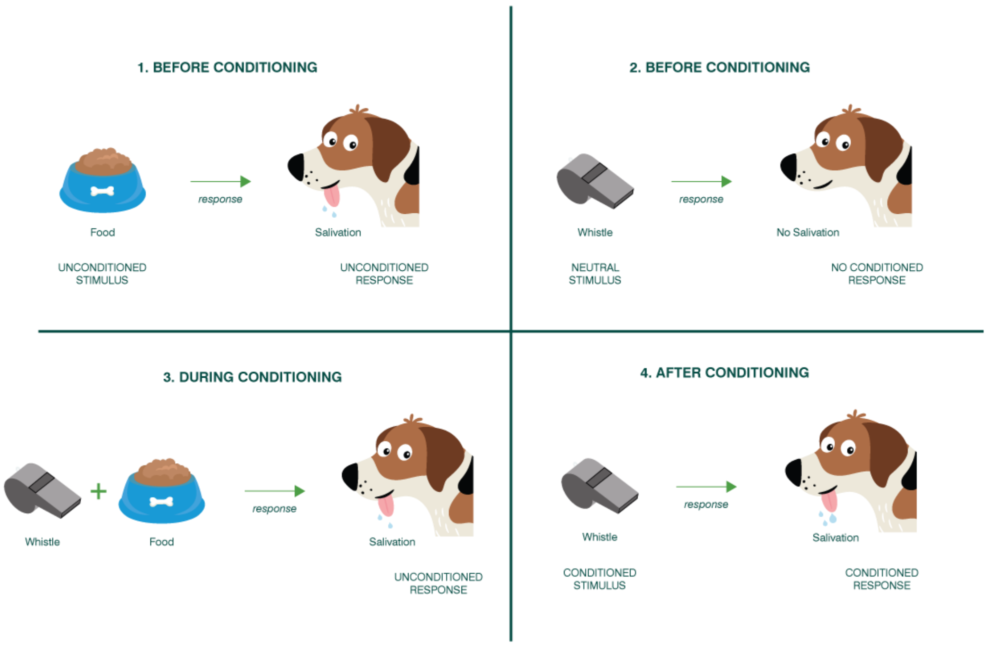
This believes that people learn from their experience and this will determine how they act in future. This makes sense when seen in conjunction with brand loyalty and repetitive buying. Psychological theories consist of stimulus response theories and cognitive theories.

Stimulus response theory assumes that learning is a result of a person's response to a stimulus, which is then rewarded with satisfaction for the right response. People tend to remember the most frequent and recently experienced stimuli and respond to it. Advertisements take advantage of this.

The cognitive theory deals with post-buying behaviour and states that stimulation and want are influenced by the consumer's awareness, beliefs, perception and attitude.

It assumes that even after making an informed purchase decision, consumers face anxiety, wondering whether they made the right choice as they compare other alternatives. These buyers need to be reassured by the seller that they took the right decision.

Pavlovian Theory
This theory comes from the work of Russian psychologist Ivan Pavlov. In a famous experiment, Pavlov discovered that if he rang a bell immediately prior to feeding a dog, he could eventually get the dog to salivate just by ringing it. He concluded that much of human behavior results from conditioned responses.



The Pavlovian theory can prove highly useful for marketers. When establishing or reinventing a brand, marketers can use this knowledge to help create or change consumer habits, or reinforce brand elements that are associated with positive customer experiences.

Theory of Reasoned Action
Created by Martin Fishbein and Icek Ajzen in the late 1960s, the Theory of Reasoned Action centers its analysis on the importance of pre-existing attitudes in the decision-making process. The core of the theory posits that consumers act on behavior based on their intention to create or receive a particular outcome. In this analysis, consumers are rational actors who choose to act in their best interests.

According to the theory, specificity is critical in the decision-making process. A consumer only takes a specific action when there is an equally specific result expected. From the time the consumer decides to act to the time the action is completed, the consumer retains the ability to change his or her mind and decide on a different course of action.

Marketers can learn several lessons from the Theory of Reasoned Action. First, when marketing a product to consumers, marketers must associate a purchase with a positive result, and that result must be specific. Axe Body Spray used this concept very effectively by linking its product to desirability with women. Second, the theory highlights the importance of moving consumers through the sales pipeline. Marketers must understand that long lags between initial intention and the completion of the action allows consumers plenty of time to talk themselves out of a purchase or question the outcome of the purchase.

Engel, Kollet, Blackwell (EKB) Model
The EKB Model expands on the Theory of Reasoned Action, and lays out a five-step process that consumers use when making a purchase. The first step, input, is where consumers absorb most of the marketing materials they see on television, newspapers or online. Once the consumer collects the data, he or she moves into information processing, where the consumer compares the input to past experiences and expectations.

Consumers move to the decision-making stage after a period of thought, choosing to make a purchase based on rational insight. Consumers are affected in the decision-making phase by process variables and external influences, including how the consumer envisions his or herself after making the purchase. Under the EKB Model, marketers have two periods where their input is the most valuable. During the initial information stage, marketers must provide consumers with enough information about the product to drive the consumer to keep the company's products under consideration for purchase. Marketing becomes a factor again in the phase of external influences. Lifestyle brands are very good at instilling a desire in the consumer to look or feel a certain way with the product, even if the brand's product is not fundamentally different from the competition.

Motivation-Need Theory
Abraham Maslow put forward his hierarchy of needs in 1943, sending ripple effects through the entire psychological community. Under his theory, people act to fulfill their needs based on a five-part priority system. The needs include, in order of importance: physiological (survival), safety, love, esteem, and self-actualization.

Business schools and marketing classes adapted Maslow's theories to explain the need to tailor marketing messages to consumers in a particular way. Successful marketing campaigns must not only bring awareness to a product but also establish its place somewhere on the hierarchy of needs. Consumers are motivated to prioritize purchases toward the base of the hierarchy, so it is vital that companies draft a message that instills a sense of need or urgency in consumers.
Marketers have been able to use motivation-need theory very effectively by creating an artificial need for consumers. Modern luxury carmakers are especially good at highlighting the safety and security features of their vehicles over the aesthetic. In the consumer's mind, they need to spend the money on an expensive luxury car because it is the only way they can provide adequate safety features for their family.

3. Psycho-analytic Theories
Under this theory, Freud gives personality three aspects: the id, the ego and super ego and states that consumer behaviour is a result of the interaction between these three. While the "id" triggers pleasure, the super ego sees the moral issues and the ego is the go-between, helping the consumer decide whether to buy or not.

Psychoanalytic theory traces back to Sigmund Freud, the Austrian founder of psychoanalysis. Although he himself was not concerned with consumer behavior, his theories of human behavior were revolutionary. He believed that humans are not able to fully understand their own motivations because the psychological factors that shape them are largely unconscious. A major part of the unconscious mind is comprised of strong urges and desires. Since these desires can cause significant guilt and shame when they surface, people will repress them.

According to psychoanalytic theory, consumers respond to symbolic concerns as much as they respond to those of economics and function. Freud's work implies that external factors such as age and income cannot fully account for consumer behavior because motivations lay deep in the psyche. Instead, marketing messages that contain an emotional appeal to consumers' feelings, hopes, aspirations and fears are often more effective than rational appeals.

Hawkins Stern Impulse Buying

While many of the theories of consumer behavior focus on rational action, Hawkins Stern believed heavily in the idea of impulse behavior. Stern argued that sudden buying impulses fit alongside rational purchasing decisions to paint a complete picture of the average consumer. Impulse purchases are driven largely by external stimuli and have almost no relationship to traditional decision-making.

Stern established four categories of impulse buying. First are the pure impulse purchases, like a candy bar at the checkout line of a grocery store. Second, consumers make reminded impulse buys, like placing a display of hot dog buns next to a meat cooler. Third are suggested impulse purchases, such as a warranty for an electronic device. Finally, consumers make planned impulse decisions, where they know they want to buy a product, but are unsure about the specifics.

Impulse buying theories present an ocean of opportunities for marketers. Every aspect of a product, from the way the packaging catches the eye to the way the product is displayed in the store, has an impact on a consumer's impulse control. Marketers who can capture the impulsive thought and close the sale will have the most success.

4. Socio-cultural Theories

Also called the veblenian model, it labels man as a social animal whose wants and behaviour are shaped by his peer group. Regardless of personal preferences, people tend to blend in a society. These theories on consumer behaviour help to marketers gain an insight into what factors lead their target audience to make their buying decisions so that they can develop their marketing message accordingly.

Veblenian Social-Psychological Model

Economist Thorstein Veblen suggested that humans are social creatures who conform to the standards of the culture and subgroups in which they live. He believed that people's individual needs and desires are created and influenced by group membership. Veblen focused his theory on members of society's "leisure class," whom he hypothesized were influenced by the desire for prestige rather than utilitarian need fulfillment. Although critics of Veblen's theory argue that it may be overstated in scope, the theory still proves useful. It suggests that marketers should understand the social influences that impact consumers in order to better comprehend product demand.

Marketing in the 21st century is part art and part science, and both sides place a crucial role in successful marketing. Creative expression develops marketing campaigns that catch the eye and capture the imagination, but behind every marketing strategy are theories grounded solidly in psychology, economics, and studies in human behavior. The scientific insights help marketers design campaigns that speak to the fundamental concerns and desires of their audience, greatly deepening the impact of the marketing materials.

At the heart of the scientific study of marketing are key insights about consumer behavior, or why consumers buy and act the way they do. Theories of consumer behavior address important issues, such as how consumers purchase as individuals versus how they purchase in groups, the role of emotions in purchasing decisions, post-purchase attitudes, and the role of object utility. Understanding these issues enhances a marketing campaign's effectiveness and its impact on consumers.

To determine consumer behavior, marketers use numerous consumer behavior models.

Consumer behavior theories predict how consumers make purchasing decisions and show marketers how best to capitalize on predictable behaviors. Though impulse purchases are a significant part of a consumer's buying patterns, rational decision-making processes dominate consumer behavior and affect marketing theory.

Applications of Consumer Behavior Theories

Marketers are now using these foundational theories of consumer behavior in innovative ways. In keeping with the Veblenian model, for example, they are beginning to understand that our face-paced, technology-saturated culture means that consumers are placing an even higher value on their time. Marketers must find ways to make their advertisements both shorter and more impactful, according to *Direct Marketing News* (DMN). Other examples of changing consumer values include: decreasing tolerance for marketers who abuse personal data, rising expectations for interaction with brands and the desire to build long-term relationships with companies. The American Marketing Association adds that in order to move forward, marketing experts must begin to collect consumer data in far more intentional ways and increase their focus on advertising to a diverse, global audience.

The science of consumer behavior is always evolving, characterized by constant change and refinement. For those seeking to find their place at the forefront of the marketing profession, Husson University offers an online BSBA with a marketing concentration. The fully online program takes just one to two years to complete, giving students a fast track to achieving their career goals.

TOP CONSUMER BEHAVIOR THEORIES

Understanding human behavior — how people think and make decisions — can be illuminating for marketers. Studying consumer behavior can provide professional marketers with the knowledge they need to develop effective communications that motivate people to purchase goods and services.

MARSHALLIAN ECONOMICS

FOUNDED BY ALFRED MARSHALL

- If a product's price is lower, the sales of that product will be higher.
- When the income of consumers is higher, sales of a product will therefore be higher, provided the product is not an inferior one.
- When there is a product and substitute of that product, sales of the substitute will be greater if its price is lower than the price of the original product.

KEY MESSAGE:

Consumers buy their goods and services based on what offers the most personal satisfaction.

PSYCHOANALYTIC THEORY

FOUNDED BY SIGMUND FREUD

- Freud believed that humans are not able to fully understand their own motivations because the psychological factors that shape them are largely unconscious.
- According to psychoanalytic theory, consumers respond to symbolic concerns as much as they respond to those of economics and function.
- Freud's work implies that external factors such as age and income cannot fully account for consumer behavior because motivations lay deep in the psyche.

KEY MESSAGE:

Appeal to consumers' feelings, hopes, aspirations and fears.

PAVLOVIAN THEORY

FOUNDED BY IVAN PAVLOV

- In a famous experiment, Pavlov discovered that if he rang a bell immediately prior to feeding a dog, he could eventually get the dog to salivate just by ringing it.
- Reinforce brand elements that are associated with positive customer experiences.

KEY MESSAGE:

Much of human behavior results from conditioned responses.

HUSSON UNIVERSITY ONLINE

Study these theories and more while earning a Bachelor of Science in Business Administration degree with a marketing management concentration from **Husson University Online**.

BUYING DECISION PROCESS

The buying decision process is the decision-making process used by consumers regarding the market transactions before, during, and after the purchase of a good or service. It can be seen as a particular form of a cost–benefit analysis in the presence of multiple alternatives. The stages of the buyer decision process are the recognition of the problem, the search for information, an evaluation of all available alternatives, the selection of the final product and its supplier (of course services are included) and then ultimately the post-purchase evaluation.

The stages of the Buyer Decision Process

The buyer decision process represents a number of stages that the purchaser will go through before actually making the final purchase decision. The consumer buyer decision process and the business/organisational buyer decision process are similar to each other. Obviously core to this process is the fact that the purchase is generally of value in monetary terms and that the consumer/business will take time to actually assess alternatives. For FMCG (Fast Moving Consumer Goods) the purchase decision process tends to be shorter/quicker, and for habitual purchase behaviour or repeat purchases the decision process is short-circuited.

An example based upon buying a new smart cellphone: The first stage is likely to be that you have a need for communication or access to the Internet, or problem because you cannot interact with friends using social media. The value added by products such as Android, iPhone or Windows phone and others should satisfy your need or solve your problem. So the second stage is where you speak to your friends and surf the Internet looking at alternatives, which represent stage two – or your information search. As a buyer you might visit a local cellphone store and speak to the sales staff to help you complete stage three, i.e. your evaluation of alternatives. Stage four is the selection of product and you go and make your final decision and buy your smartphone from a local store or using an e-commerce website. Stage five involves your post-purchase evaluation whereby you use the phone and have a positive, negative or mediocre experience of the product. If it doesn't satisfy your needs you take action and more importantly you'll tell others of your problems. If you're pleased with the product, you will tell your friends and this will influence stage two (their information search) when they decide to buy a cellphone.

Remember that organisations and businesses also go through this process and that teams of individuals contribute to the decision-making process. This is called a Decision-Making Unit (DMU).

Buyer decision process (or customer buying process) helps markets to identify how consumers complete the journey from knowing about a product to making the purchase decision. Understanding the customer's buying process is essential for marketing and sales. The buyer decision process will enable to set a marketing plan that convinces them to purchase the product or service for fulfilling the buyer's or consumer's problem.

Consumers go through 5 stages in taking the decision to purchase any goods or services. The are– the recognition of the problem, the search for information, an evaluation of all available alternatives, the selection of the final product and its supplier (of course services are included) and then ultimately the post-purchase evaluation.

Stage One – Need or Problem Recognition (Recognition of Problem or Need)

Stage one is the recognition of the particular problem or need and here the buyer has a need to satisfy or a problem that needs solving, and this is the beginning of the buyer decision process.
During need or problem recognition, the consumer recognizes a problem or need that could be satisfied by a product or service in the market.
Problem Recognition is the first stage of the buyer decision process.
At this stage, the consumer recognizes a need or problem. The buyer feels a difference between his or her actual state and some desired state.
This could be a simple as "I'm hungry, I need food."

The need may have been triggered by internal stimuli (such as hunger or thirst) or external stimuli (such as advertising or word of mouth).

Stage Two – Information Search (Search for Information)

Stage two is where we begin to search for information about the product or service. Buyers here begin to look around to find out what's out there in terms of choice and they start to work out what might be the best product or service for solving the problem or satisfying any need.

Once the need is recognized, the consumer is aroused to seek more information and moves into the information search stage.

The second stage of the purchasing process is searching for information.

After the recognition of needs, the consumers try to find goods for satisfying such needs. They search for information about the goods they want.

Consumers can get information about goods from different sources.

- **Personal sources:** This includes family, friends, neighbors, acquaintance, etc.
- **Commercial source:** This includes advertising, salespeople, dealers, packaging, display, etc.
- **Public sources:** This includes mass media, consumer rating organizations, etc. they also become confidential to provide information.
- **Experimental sources:** This includes handling, examining, using, etc. Such information becomes decisive and confidential.

Stage Three – Evaluation of Available Alternatives

Stage three sees the evaluation of the available alternatives whereby the buyer decides upon a set of criteria by which to assess each alternative.

With the information in hand, the consumer proceeds to alternative evaluation, during which the information is used to evaluate" brands in the choice set.

Evaluation of alternatives is the third stage of the buying process. Various points of information collected from different sources are used in evaluating different alternatives and their attractiveness.

While evaluating goods and services, different consumers use different bases.

Generally, the consumers evaluate the alternatives on the basis of attributes of the product, the degree of importance, belief in the brand, satisfaction, etc. to choose correctly.

Stage Four – Purchase Decision (Make Your Choice)

We buy or select a product/service/supplier at stage four. Individuals or teams of buyers make the final choice of what to buy and from whom to buy it.

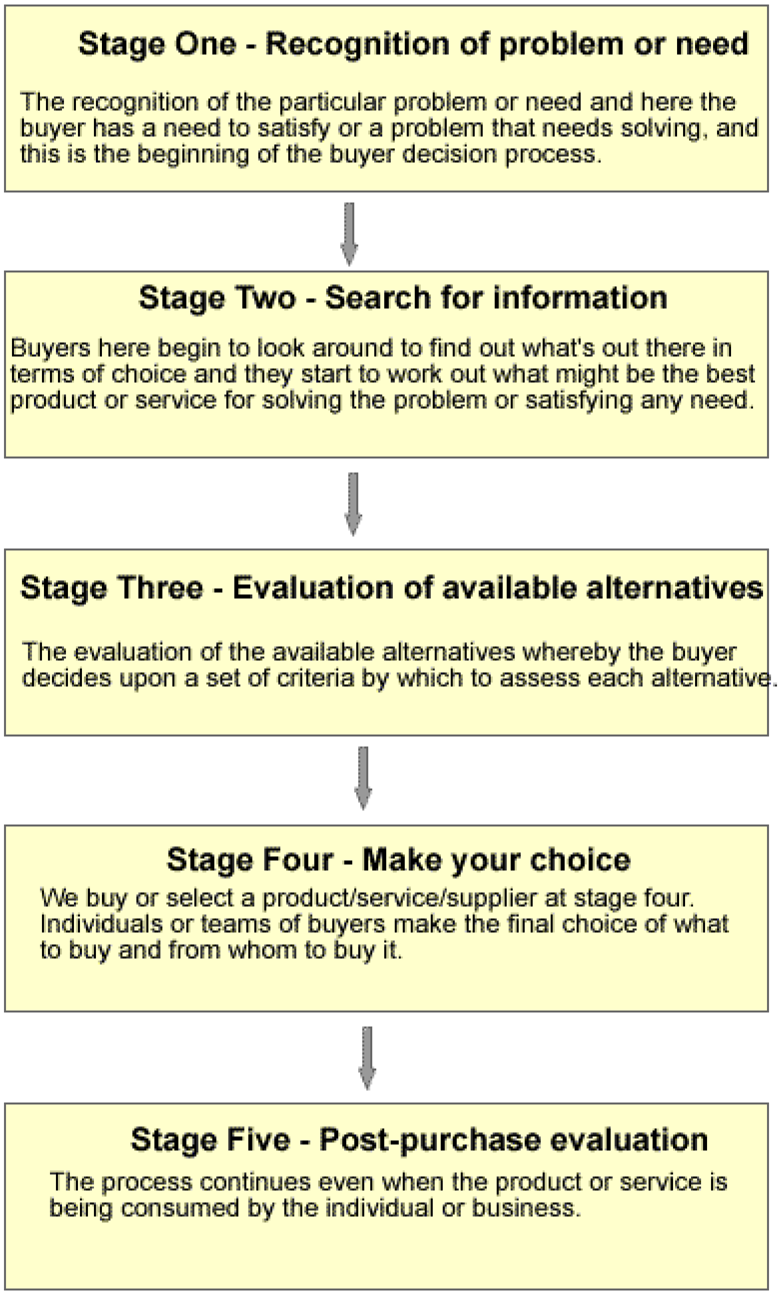
After the alternatives have been evaluated, consumers take the decision to purchase products and services. They decide to buy the best brand. But their decision is influenced by others' attitudes and situational factors.

Stage Five – Post-Purchase Evaluation

Interestingly the process does not stop at the point of purchase because there is a stage five called the post-purchase evaluation. The process continues even when the product or service is being consumed by the individual or business. So if it doesn't meet your needs or solve your problem you can take action to improve the product or service. Your actions at this point might inform other potential buyers who would be keen to hear about your experiences – good or bad.

In the final stage of the buyer decision process, postpurchase behavior, the consumer takes action based on satisfaction or dissatisfaction.

In this stage, the consumer determines if they are satisfied or dissatisfied with the purchasing outcome. Here is where cognitive dissonance occurs, "Did I make the right decision."



The Buyer Decision Process

CHANGES IN BUYING ATTITUDE OF CONSUMER

Reaching the subconscious

Today's buyers are busy, and don't have the time or energy to weigh the merits of one item over another in a store or online. They grab or click a favorite, and move on. An estimated 90% of purchasing decisions are made instinctively.

To get consumers to choose your brand, you need to build a positive impression that reaches them on a subconscious level. This means discovering the images and stories that build positive associations with your brand in their minds -- the subconscious drivers. The moment people look at your brand, what thoughts, images, experiences and feelings pop into their minds?

1. The false allure of 'emotional marketing'

Many brands try to reach consumers on this level through emotional marketing, partly in response to research by Nobel Prize-winning psychologist Daniel Kahneman that showed most decision-making is "irrational" and driven by subconscious shortcuts. But in a great many cases, these emotional marketing efforts have failed.

Just taking a buyer on an emotional journey through an ad that makes them laugh or cry is often irrelevant to the brand or business. Emotional benefits only work if they're rooted in your product experience. So it's little surprise that many Super Bowl ads don't lead to the kind of sales spike you might expect.

The key is for consumers to feel a positive connection with a brand, not for brands to communicate emotions. Emotion is the outcome -- the feeling a consumer experiences, not the message itself. And emotional connection comes from tapping into positive, familiar ideas in consumers' memories.

A successful example of this is a Super Bowl spot for M&M's that was rightfully declared the "most engaging ad." By creating the image of Danny Devito blissfully lolling about in a pool of melted chocolate, M&M's tapped into an ideal stored memory of superior chocolate – liquid, rich, enveloping. This elevated the consumers' impression of M&M's and connected that sense of joy to the brand itself.

2. Communicating Expertise

Another piece of this puzzle is sending the message to consumers that your brand is the ultimate expert in its category.

One brand, a household name, was facing sagging sales. When it was dug deep into this problem with consumers, and determined their associations with the brand, it was discovered why. People did not see the brand as authentic. They saw it as having no genuine expertise in its category.

The brand's marketing extolled virtues of the product, but didn't explain to consumers why it was based on superior knowledge. When the company changed its marketing to focus on this, sales immediately spiked. The new campaign gave buyers positive codes and cues (including language, imagery, and even music) to perceive the product on a subconscious level as being a true expert in its category. That delivered credibility.

Engage Prospects. Create conversations with aspirational customers, and explore what they value about the relationships they have with your competitors. With the potential for just a little business, it will benefit you to try to understand their ideal customer-vendor relationship and how you can best present your value proposition to meet their needs.

3. Focus on what makes buyers alike

Discovering subconscious barriers and drivers can help you change consumers' behavior no matter where they fall in any demographic breakdown. Unfortunately, companies are wasting time and money these days over-segmenting their audiences based on the belief that a more personalized marketing campaign will be more effective. *Marketers should be asking how consumers are alike, not how they're different.* People are much more similar than we think.

Virtually all buyers, no matter their demographics or attitudes, have similar associations about brands. They respond positively to the same remedies for enhancing perceptions. Particular codes and cues bypass the conscious, skeptical brain and build positive brand associations at a subconscious level. This is what's really happening when people say they have a good "gut feeling" about something. Plus, when you have limited resources, putting them behind one universal message is much more likely to yield a high return.

The same approach applies not just to selling products, but also to building support for social causes or political campaigns. Entrenched beliefs such as racism, gender bias and anti-Semitism are based on an instinctive response that occurs at the subconscious level. To mount a successful campaign to counteract such responses, you have to address bias in the same deep-rooted spot where it originates.

Focus on triggering positive associations, and watch success follow.

4. Real-timeification of Consuming

Modern consumers are well informed. Today's consumers are always carrying an endless source of real-time information in their pockets: their smartphones. I call this the "real-timeification of buyer behavior." This means that potential buyers will always find the best deal in real time.

To be successful in this market, you have to constantly monitor the prices, value propositions, customer engagement and behavior of your competition. And importantly, adapt whenever you may be at risk to be outsmarted by your competitor.

5. Reviewification of Business

When was the last time you booked a hotel? I bet you used a review site before you made your decision. 49% of consumers look for at least a 4-star rating before they choose to use a business. I call this the "reviewification" of business.

So, to be a successful entrepreneur, you have to earn your reputation. How? Aim for perfection. Happy clients write great reviews, and that is something money cannot buy. But remember: not every client writes a review. You have to work hard to get those reviews and find clever ways to get your happy customers to review you.

6. "Uberization" of the Market

The taxi and hotel industry are the poster children of business disruption. Many once-thriving companies are now struggling because lean startups took large parts of their market share. The reason for this "uberization" is customer need. So, listen to your customers! They will tell you their wishes.

Identify Customer Expectations. Interview customers and understand, from their perspective, what they are expecting and what's driving it. This will help you to educate and prepare your sales reps to adapt to and address the changing behaviors among their clients. But don't just do this once — rather, create an ongoing dialogue to keep your finger on the pulse of your customers and their demands

FACTORS INFLUENCING RETAIL SHOPPER

The **consumers** consider various things like the characteristics of the product, price charged, availability of the product at the required location and much more. The personal factors include age, occupation, lifestyle, social and **economic** status and the gender of the consumer.

Retailer also needs to understand the competitors and how the customers perceive them. This would help the firm understand how they are perceived vis-à-vis the competition. It is also important to understand why consumers choose the competition over your product. This analysis may reveal some startling facts, and provide direction for future differentiation strategies. At the heart of every business strategy must be a deep understanding of consumers.

Why we buy 'The Science of Shopping' brings out some key facts about how consumers buy and the various influences on the same. The book brings out a key fact that most purchasing decisions are influenced and made on the shop floor itself. Highlighted are the facts that various aspects like sign ages, shelf position, display space and fixtures, all influence the shopper in his buying decision. The science of shopping is a hybrid discipline, part physical science and part social science and only part science at all, because it is also an art. It is practical field concerned wit providing information that can improve the retailer' edge and reduce the odds of making a wrong decision. Much of the value of the science lies in the ability to go beyond collecting data and making educated guesses about what it means an how best to respond.

The behavior of retail shoppers is a subject of study across the world. The basic difference however, continues to be the maturity of markets and formats. While retail in the West has evolved unit terms of formats over the past hundred years, organized retail in India is still a new phenomenon. Shopping has in fact, been termed as a science.

In India, retailers and retail formats are still evolving. Ten years ago, if a consumer wanted to buy soap, his only option was the local bania or the Sahakari Bhandar or the fair price shops run by the government. Today, he can still buy the bar of soap from the same places, but also has an option of going to a Food World, Big Bazaar, Food Land, or and Apollo Pharmacy or from the neighborhood bania who has developed a swank new self service store. Where will he buy? What are the reasons for his choosing one store over the other?

Understanding the reasons for consumers choosing or patronizing a store is important for the retailer. This is true for retailer across the world. In India, while new formats keep merging, in many cases, the product offering are similar. Consider this: most of the department stores, which exist in India toady house a men's wear, women's wear, children's and home section. The men's wear section in most of the stores houses various national brands like Zodiac, Allen Solly, Louis Philippe, Van Heusen etc and some private label/s created by the store. At the same time all these brands have their own retails outlets. The range available at the stores is also similar. Why should customers visit a particular department store and not the company's own retail outlet? An insight into what provokes a customer to visit and patronize a store helps the retailer in strategy formulation.

1. Economic Factor

The most important and first on this list is the Economic Factor. This one is the main foundation of any purchasing decision. The reason is simple people can't buy what they can't afford. The need of a product also doesn't play a role here, but the most important thing is affordability.

Purchasing Power

Purchasing power of a consumer plays an important role in influencing the consumer behavior. The consumers generally analyze their purchasing capacity before making a decision to buy and products or services. The product may be excellent, but if it fails to meet the buyers purchasing ability, it will have high impact on it its sales. Segmenting consumers based on their buying capacity would help in determining eligible consumers to achieve better results.

Understanding, analyzing and keeping track of consumer behavior is very critical for a marketing department to retain their position successfully in the market place. There are various other factors too that influence consumer behavior apart from the four listed above.

Economic Conditions

Consumer spending decisions are known to be greatly influenced by the economic situation prevailing in the market. This holds true especially for purchases made of vehicles, houses and other household appliances. A positive economic environment is known to make consumers more confident and willing to indulge in purchases irrespective of their personal financial liabilities.

2. Functional Factor

The factor is totally about needs, backed by a logic that what makes sense and also fits in the best interest of the customer. This one factor also plays a very important role in the buying decision.

3. Marketing Mix Factors

There are 4 components in the marketing mix, i.e. product, pricing, promotion and place of distribution and each of these components have a direct or indirect impact on the buying process of the consumers. The consumers consider various things like the characteristics of the product, price charged, availability of the product at the required location and much more.

Location and convenience should be there.

Travel time and distance

Range of merchandise – The range of merchandize is perhaps the most important reason fir customers to patronize a particular outlet. The initial curiosity of the store may draw a consumer to a retail store, but converting him into a buyer and retaining him over a period of time is largely dependent on the quality and the range of merchandise offered by the store. If the merchandise is similar to that of another store or what is commonly available, the customer may not see any reasons why he should not switch stores. The range of merchandise offered plays an important role in case of categories like durables, books and music, apparel and other lifestyle products.

4. Personal Factors

The personal factors include age, occupation, lifestyle, social and economic status and the gender of the consumer. These factors can individually or collectively affect the buying decisions of the consumers.

Personal Preferences

At the personal level, consumer behavior is influenced by various shades of likes, dislikes, priorities, morals and values. In certain dynamic industries such as fashion, food and personal care, the personal view and opinion of the consumer pertaining to style and fun can become the dominant influencing factor. Though advertisement can help in influencing these factors to some extent, the personal consumer likes and dislikes exert greater influence on the end purchase made by a consumer.

Since each person is unique, personality varies and plays a role in the buying process.

5. Psychological Factor

When it comes to the psychological factors there are 4 important things affecting the consumer buying behaviour, i.e. perception, motivation, learning, beliefs and attitudes.

Each individual is motivated by a different set of physiological, biological and social needs. While some needs are urgent, some are not. When the need is urgent, it becomes a motive.

Perception involves choosing, organizing and assimilating information for a meaningful experience. Consumers go through three perceptual processes. These are:

- selective attention – where marketers attract the buyer’s attention
- selective distortion – where the buyer interpret the information to suit their beliefs
- selective retention – where marketers try to retain information that supports their beliefs

Beliefs and Attitudes surround a consumer’s view of a product and alsobuild the brand image, thereby affecting their buying behaviour. This triggers a marketer’s interest in them.

By introducing specially tailored campaigns, marketers attempt to change consumers' attitudes and beliefs.

6. Social Factors

Social factors include reference groups, family, and social status. These factors too affect the buying behaviour of the consumer. These factors in turn reflect an endless and vigorous inflow through which people learn different values of consumption.

Group Influence

Group influence is also seen to affect the decisions made by a consumer. The primary influential group consisting of family members, classmates, immediate relatives and the secondary influential group consisting of neighbors and acquaintances are seen have greater influence on the purchasing decisions of a consumer. Say for instance, the mass liking for fast food over home cooked food or the craze for the SUV's against small utility vehicle are glaring examples of the same.

Social class or status, which is identified by income levels, education and occupation also plays a role in consumer behaviour.

Social factors that impact buying behaviour are reference groups, family, role and status. Reference groups, often including an opinion leader have a strong influence on buying decisions.

7. Cultural Factors

Cultural factors have a subtle influence on a consumer's purchasing decision process. Since each individual lives in a complex social and cultural environment, the kinds of products or services they intend to use can be directly or indirectly be influenced by the overall cultural context in which they live and grow. These Cultural factors include race and religion, tradition, caste and moral values.

These include culture, subculture and social class. Since the buyer is part of a society, her decisions are affected by it. Global marketers must study the culture of various regions to understand what influences buyers in these markets.

Subculture refers to religion, nationality, region, race, and similar factors that facilitate market segmentation, so that products can be tailored to these segments.

The decision maker in the family has an important role in the buying process. Buying decisions also depend on the consumer's role and status.

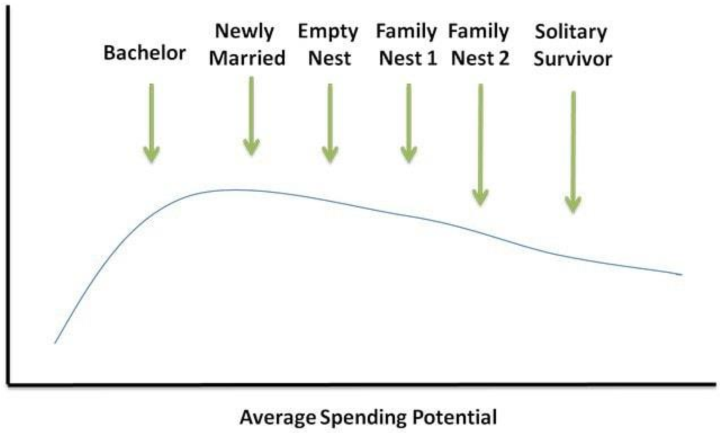
8. Marketing Campaigns

Advertisement plays a greater role in influencing the purchasing decisions made by consumers. They are even known to bring about a great shift in market shares of competitive industries by influencing the purchasing decisions of consumers. The Marketing campaigns done on regular basis can influence the consumer purchasing decision to such an extent that they may opt for one brand over another or indulge in indulgent or frivolous shopping. Marketing campaigns if undertaken at regular intervals even help to remind consumers to shop for not so exciting products such as health products or insurance policies.

9. Stage of family life cycle of consumers

In 1960's, based on their research Wells and Gruber came up with a new concept of segmentation, called the **family** life cycle. Family life cycle can be a part of the segmentation targeting and positioning triangle or even the consumer buying behavior study as it concerns itself with the various phases and generations of people present within an individual family and how to target them with your marketing efforts.

Thus, in a joint family, there might be youngsters, parents, grand parents, uncles and aunts, all in different phases of their life. By taking each of them as a target market or a target demography, what can be the marketing strategies that you can adopt, can be answered by Family life cycle.



The concept has grown in popularity in the last few decades because of being applied in different kind of industries with successful results. Until now you might have heard about product life cycle or customer life cycle. However, the family life cycle is focusing on shopping styles, information use and decision making differences by a person in the different stages of his life.

As we grow older, we are moving steadily from one stage to another, moving from an initial buying behavior focusing only on ourselves to a more mature and responsible one, by taking into consideration not only our needs but also the needs of our families. By understanding in which stage a person is in the family life cycle, marketers can anticipate their needs, and determine the products and services they can provide him.

Basically, the family life cycle model describes the stages through which consumers pass through their lives when they have families. There are different versions of the categorization of the stages but the most common are: bachelor stage, new married couple, fully nest 1, fully nest 2, empty nest, solitary survivor.

1) Bachelor stage in the family life cycle –

During the bachelor stage people are usually characterized by being interested mainly in appearances. Therefore, people at this stage tend to invest more in fashionable clothing and vehicles. Impulsive buying as well as premium buying is a common characteristic of the Bachelor stage.

2) The newly married couples –

In the family life cycle, the new married couples are considered to be in a better financial position in the initial stage due to the absence of children. It might be possible that both, the husband and wife, are earning members. Thus, the buying decisions focus on quality and not quantity. A family person will always think about savings and insurances, and at the same time, they will invest in long term products like good furniture, new home, etc. Once married, they are less prone to impulsive decisions.

3) Families in full nest 1 and 2 (and in some version also 3) –

This segment of the family life cycle consists of families already having children. The number of children may vary and hence they are categorised in Nest 1, Nest 2 etc. The purchases of these people are dominated by the children's needs mostly. Thus, people having 2 kids are likely to save money and spend more in the future of their children (this is most targeted by insurance companies and products like Boost and Complan).

In the empty nest category, children are going away from home. This type of segment may be targeted for investing in their children who are away from home or to start spending money for their own vacations and hobbies and also focusing on savings for the retirement period.

4) The last category in the family life cycle is the solitary survivor.

This can consist of either a widow/widower who are still working or who are retired. Their main focus is on savings and their purchases are dominated by accommodation and medication mostly.

What all these stages have in common are the criteria based on which they are formed involving age, marital status, career, disposable income and either presence or absence of children. Thus, based on all four type of segments, the typical demography can be made and targeting can be carried out accordingly.

Considered to be a useful method for segmenting the market, the model provides an understanding in customer behavior by looking into various stages of the family life resulting in different buying patterns. It takes into account changes in family structures and behavior accompanying progression from birth to death.

As companies go through different stages such as early entrance, growth, maturity and decline, consumers spending habits are also passing through different stages according to its development depending on the consumer's ability and willingness to consume various items and undertake the financial burdens involved with their preferences. Thus, a youngster may be more likely to purchase a product during its entry stage than a person in family nest 2.

CONSUMER PSYCHOLOGY

Consumer psychology is the study of why people buy things. **Psychologists** try to find the underlying cognitive processes that explain **consumers**' choices and how they respond to the influence of marketing, as well as the external stimuli that convince people to purchase certain items.

Definition of Consumer Psychology

Consumer psychology is the study of why people buy things. Psychologists try to find the underlying cognitive processes that explain consumers' choices and how they respond to the influence of marketing, as well as the external stimuli that convince people to purchase certain items. Marketing executives are very keen to know the findings from studies in consumer psychology, since these findings can help them figure out how to sell a product.

Consumer psychology involves the study of what makes consumers buy the things that they buy. A consumer psychologist does extensive research and surveys to determine what underlying cognitive processes are involved that make a consumer choose to buy a certain product. They also study what external stimuli convinces consumers to buy certain products and how much they're influenced by marketing.

Marketing executives generally use the services of consumer psychologists to determine what makes consumers buy certain products. By being aware of why consumers purchase certain products, they're better able to adjust their marketing and advertising campaigns so they can sell their products. Consumer psychologists perform research and studies to provide the executives with the information they need. They also get a lot of their information from watching and surveying shoppers.

Theories of Consumer Behavior

Let's go over some of the major perspectives in consumer psychology that help us understand consumer behavior. The first perspective used in consumer psychology is **behaviorism**. This branch of psychology argues that people's actions are driven by external stimuli. In other words, we become convinced to do things because of some outside influence.

The psychologist John Watson was a pioneer in the field of behaviorism. According to this perspective, everything is considered a behavior. So, all of your thoughts, actions, and feelings are behaviors, and they're caused by external stimuli. This means that if you have a particular affinity to a brand of shampoo and a commercial features an actor who reminds you of a person you love, you might be more likely to buy this kind of shampoo.

The **cognitive approach**, on the other hand, suggests that our behaviors are caused mostly by our own mental processing. Cognitivists do appreciate that external stimuli, such as packaging or brand loyalty, can have an influence, but they don't view it as the most important thing. So you might watch that same shampoo commercial, and you might be influenced by the actors, but from the cognitive perspective, it's the interaction between the external stimuli and your own rational thinking and mental processing that leads to buying something.

Consumer psychology, Branch of social psychology concerned with the market behaviour of consumers. Consumer psychologists examine the preferences, customs, and habits of various consumer groups; their research on consumer attitudes is often used to help design advertising campaigns and to formulate new products.