# PONDICHERRY UNIVERSITY

(A Central University)

## DIRECTORATE OF DISTANCE EDUCATION

# Retail Planning and Legal Issues

**Paper Code : MBRM 3003**

## MBA - RETAIL MANAGEMENT

### III Semester

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- To plan and manage channel of distribution, and
- To get awareness about legal aspects involved in Retailing.

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# UNIT - I

## Unit Structure



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## Lesson 1.1 - Marketing and Strategic Management

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### Learning Objectives

- Understand the meaning, definition of Marketing and Strategic Management
- Know the concept of Retailing, its Role Relevance and Trends

### Introduction

Marketing management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Rapidly emerging forces of globalization have compelled firms to market beyond the borders of their home country making International marketing highly significant and an integral part of a firm's marketing strategy. Marketing managers are often responsible for influencing the level, timing, and composition of customer demand accepted definition of the term. In part, this is because the role of a marketing manager can vary significantly based on business' size, corporate culture, and industry context. For example, in a large consumer products company, the marketing manager may act as the overall general manager of his or her assigned product. To create an effective, cost-efficient marketing, firms must possess a detailed, objective understanding of their own business and the marketing which they operate. In analyzing these issues, the discipline of marketing management often overlaps with the related discipline of strategic planning. Traditionally, marketing analysis was structured into three areas: customer analysis, company analysis, and competitor analysis (so-called «3Cs» analysis). More recently, it has become fashionable in some marketing circles to divide these further into certain five «Cs»: customer analysis, company analysis, collaborator analysis, competitor analysis, and analysis of the industry context.

Customer analysis is to develop a schematic diagram for market segmentation, breaking down the market into various constituent groups of customers, which are called customer segments or market segmentations. Marketing managers work to develop detailed profiles of each segment, focusing on any number of variables that may differ among the segments: demographic, psycho graphic, geographic, behavioral, needs-benefit, and other factors may all be examined. Marketers also attempt to track these segments› perceptions of the various products in the market using tools such as perceptual mapping.

In Company analysis, marketers focus on understanding the company's cost structure and cost position relative to competitors, as well as working to identify a firm's core competencies and other competitively distinct company resources. Marketing managers may also work with the accounting department to analyze the profits the firm is generating from various product lines and customer accounts. The company may also conduct periodic brand audits to assess the strength of its brands and sources of brand equity.

The firm's collaborators may also be profiled, which may include various suppliers, distributors and other channel partners, joint venture partners, and others. An analysis of complementary products may also be performed if such products exist.

Marketing management employs various tools from economics and competitive strategy to analyze the industry context in which the firm operates. These include Porter's five forces, analysis of strategic groups of competitors, value chain analysis and others. Depending on the industry, the regulatory context may also be important to examine in detail.

In Competitor analysis, marketers build detailed profiles of each competitor in the market, focusing especially on their relative competitive strengths and weaknesses using SWOT analysis. Marketing managers will examine each competitor's cost structure, sources of profits, resources and competencies, competitive positioning and product differentiation, degree of vertical integration, historical responses to industry developments, and other factors.

Marketing management often finds it necessary to invest in research to collect the data required to perform accurate marketing analysis. As such, they often conduct market research to obtain this information. Marketers employ a variety of techniques to conduct market research, but some of the more common include:

- Qualitative marketing research, such as focus groups and various types of interviews
- Quantitative marketing research, such as statistical surveys
- Experimental techniques such as test markets
- Observational techniques such as ethnographic (on-site) observation

Marketing managers may also design and oversee various environmental scanning and competitive intelligence processes to help identify trends and inform the company's marketing analysis.

## Marketing Strategy

If the company has obtained an adequate understanding of the customer base and its own competitive position in the industry, marketing managers are able to make their own key strategic decisions and develop a marketing strategy designed to maximize the revenues and profits of the firm. The selected strategy may aim for any of a variety of specific objectives, including optimizing short-term unit margins, revenue growth, market share, long-term profitability, or other goals.

To achieve the desired objectives, marketers typically identify one or more target customer segments which they intend to pursue. Customer segments are often selected as targets because they score highly on two dimensions: 1) The segment is attractive to serve because it is large, growing, makes frequent purchases, is not price sensitive (i.e. is willing to pay high prices), or other factors; and 2) The company has the resources and capabilities to compete for the segment's business, can meet their needs better than the competition, and can do so profitably. In fact, a commonly cited definition of marketing is simply "meeting needs profitably."

The implication of selecting target segments is that the business will subsequently allocate more resources to acquire and retain customers in the target segment(s) than it will for other, non-targeted customers. In some cases, the firm may go so far as to turn away customers who are not in its target segment. The doorman at a swanky nightclub, for example, may deny entry to unfashionably dressed individuals because the business has made a strategic decision to target the "high fashion" segment of nightclub patrons.

In conjunction with targeting decisions, marketing managers will identify the desired positioning they want the company, product, or brand to occupy in the target customer's mind. This positioning is often an encapsulation of a key benefit the company's product or service offers that is differentiated and superior to the benefits offered by competitive products. For example, Volvo has traditionally positioned its products in the automobile market in North America in order to be perceived as the leader in "safety", whereas BMW has traditionally positioned its brand to be perceived as the leader in "performance."

Ideally, a firm's positioning can be maintained over a long period of time because the company possesses, or can develop, some form of sustainable competitive advantage. The positioning should also be sufficiently relevant to the target segment such that it will drive the purchasing behavior of target customers.

### Implementation Planning

The Marketing Metrics Continuum provides a framework for how to categorize metrics from the tactical to strategic. After the firm's strategic objectives have been identified, the target market selected, and the desired positioning for the company, product or brand has been determined, marketing managers' focus on how to best implement the chosen strategy.


Traditionally, this has involved implementation planning across the "4Ps" of marketing: Product, Pricing (at what price slot do you position your product, for e-g low, medium or high price), Place (the place/area where you are going to be selling your products, it could be local, regional, country wide or International) (i.e. sales and distribution channels), and Promotion. Now a new P has been added making it a total of 5P's. The 5th P is Politics which affects marketing in a significant way.

Taken together, the company's implementation choices across the 4(5) Ps are often described as the marketing mix, meaning the mix of elements the business will employ to "go to market" and execute the marketing strategy. The overall goal for the marketing mix is to consistently deliver a compelling value proposition that reinforces the firm's chosen positioning, builds customer loyalty and brand equity among target customers, and achieves the firm's marketing and financial objectives.

In many cases, marketing management will develop a marketing plan to specify how the company will execute the chosen strategy and achieve the business' objectives. The content of marketing plans varies from firm to firm, but commonly includes:

**An Executive Summary**

- Situation analysis to summarize facts and insights gained from market research and marketing analysis

- The company’s mission statement or long-term strategic vision
- A statement of the company’s key objectives, often subdivided into marketing objectives and financial objectives
- The marketing strategy the business has chosen, specifying the target segments to be pursued and the competitive positioning to be achieved
- Implementation choices for each element of the marketing mix (the 4(5)Ps)

**Project, Process, and Vendor Management**

Once the key implementation initiatives have been identified, marketing managers work to oversee the execution of the marketing plan.

Marketing executives may therefore manage any number of specific projects, such as sales force management initiatives, product development efforts, channel marketing programs and the execution of public relations and advertising campaigns. Marketers use a variety of project management techniques to ensure projects achieve their objectives while keeping to established schedules and budgets.

More broadly, marketing managers work to design and improve the effectiveness of core marketing processes, such as new product development, management, marketing, and pricing. Marketers may employ the tools of business process reengineering to ensure these processes are properly designed, and use a variety of process management techniques to keep them operating smoothly.

Effective execution may require management of both internal resources and a variety of external vendors and service providers, such as the firm›s advertising agency.

Marketers may therefore coordinate with the company›s Purchasing department on the procurement of these services. Under the area of marketing agency management (i.e. working with external marketing agencies and suppliers) are techniques such as agency performance evaluation, scope of work, incentive compensation, RFx›s and storage of agency information in a supplier database.

**Organizational Management and Leadership**

Marketing management may spend a fair amount of time building or maintaining a marketing orientation for the business. Achieving a market orientation, also known as "customer focus" or the "marketing concept", requires building consensus at the senior management level and then driving customer focus down into the organization. Cultural barriers may exist in a given business unit or functional area that the marketing manager must address in order to achieve this goal. Additionally, marketing executives often act as a "brand champion" and work to enforce corporate identity standards across the enterprise.

In larger organizations, especially those with multiple business units, top marketing managers may need to coordinate across several marketing departments and also resources from finance, research and development, engineering, operations, manufacturing, or other functional areas to implement the marketing plan. In order to effectively manage these resources, marketing executives may need to spend much of their time focused on political issues and inter-departmental negotiations.

The effectiveness of a marketing manager may therefore depend on his or her ability to make the internal "sale" of various marketing programs equally as much as the external customer's reaction to such programs.

**Reporting, Measurement, Feedback And Control Systems**

Marketing management employs a variety of metrics to measure progress against objectives. It is the responsibility of marketing managers – in the marketing department or elsewhere – to ensure that the execution of marketing programs achieves the desired objectives and does so in a cost-efficient manner.

Marketing management therefore often makes use of various organizational control systems, such as sales forecasts, sales force and reseller incentive programs, sales force management systems, and customer relationship management tools (CRM). Recently, some software vendors have begun using the term "marketing operations management" or "marketing resource management" to describe systems that facilitate an integrated approach for controlling marketing resources. In some cases, these efforts may be linked to various supply chain management systems, such as enterprise resource planning (ERP), material requirements planning (MRP), efficient consumer response (ECR), and inventory management systems.

Measuring the return on investment (ROI) and marketing effectiveness various marketing initiatives is a significant problem for marketing management. Various market research, accounting and financial tools are used to help estimate the ROI of marketing investments. Brand valuation, for example, attempts to identify the percentage of a company›s market value that is generated by the company›s brands, and thereby estimate the financial value of specific investments in brand equity. Another technique, integrated (IMC), is a CRM database-driven approach that attempts to estimate the value of marketing mix executions based on the changes in customer behavior these executions generate.

**Strategic Management**

It is a field that deals with the major intended and emergent initiatives taken by general managers on behalf of owners, involving utilization of resources, to enhance the performance of firms in their external environments. It entails specifying the organization's mission, vision and objectives, developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs. A balanced scorecard is often used to evaluate the overall performance of the business and its progress towards objectives. Recent studies and leading management theorists have advocated that strategy needs to start with stakeholders expectations and use a modified balanced scorecard which includes all stakeholders.

Strategic management is a level of managerial activity under setting goals and over Tactics. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is useful to talk about «strategic alignment» between the organization and its environment or «strategic consistency.» According to Arieu (2007), «there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context.»

Strategic management includes not only the management team but can also include the Board of Directors and other stakeholders of the organization. It depends on the organizational structure.

## Concepts/Approaches of Strategic Management

Strategic management can depend upon the size of an organization, and the proclivity to change of its business environment. These points are highlighted below:

As A global/transnational organization may employ a more structured strategic management model, due to its size, scope of operations, and need to encompass stakeholder views and requirements.

An SME (Small and Medium Enterprise) may employ an entrepreneurial approach. This is due to its comparatively smaller size and scope of operations, as well as possessing fewer resources. An SME's CEO (or general top management) may simply outline a mission, and pursue all activities under that mission.

## Strategy Formation

The initial task in strategic management is typically the compilation and dissemination of a mission statement. This document outlines, in essence, the raison d'etre of an organization. Additionally, it specifies the scope of activities an organization wishes to undertake, coupled with the markets a firm wishes to serve.

Following the devising of a mission statement, a firm would then undertake an environmental scanning within the purview of the statement.

Strategic formation is a combination of three main processes which are as follows:

Performing a situation analysis, self-evaluation and competitor analysis: both internal and external; both micro-environmental and macro-environmental.

Concurrent with this assessment, objectives are set. These objectives should be parallel to a time-line; some are in the short-term and others on the long-term.

This involves crafting vision statements (long term view of a possible future), mission statements (the role that the organization gives itself in society), overall corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives.

### Strategy Evaluation and Choice

An environmental scan will highlight all pertinent aspects that affect an organization, whether external or sector/industry-based. Such an occurrence will also uncover areas to capitalize on, in addition to areas in which expansion may be unwise.

These options, once identified, have to be vetted and screened by an organization. In addition to ascertaining the suitability, feasibility and acceptability of an option, the actual modes of progress have to be determined. These pertain to: The basis of competition.

The basis of competition is the competitive advantage used or established by the strategy. This advantage may derive from how an organization produces its products, how it acts within a market relative to its competitors, or other aspects of the business. Specific approaches may include:

- Differentiation, in which a multitude of market segments are served on a mass scale. An example will include the array of products produced by Unilever, or Procter and Gamble, as both forge many of the world's noted consumer brands serving a variety of market segments.
- Cost-based, which often concerns economy pricing. An example would be dollar stores in the United States.
- Market segmentation (or niche), in which products are tailored for the unique needs of a niche market, as opposed to a mass market. An example is Aston Martin cars.

## Mode of Action

Measuring the effectiveness of the organizational strategy, it's extremely important to conduct a SWOT analysis to figure out the internal strengths and weaknesses, and external opportunities and threats of the entity in business. This may require taking certain precautionary measures or even changing the entire strategy.

In corporate strategy, Johnson, Scholes and Whittington present a model in which strategic options are evaluated against three key success criteria:

- Suitability; would it work?
- Feasibility; can it be made to work?
- Acceptability; will they work it?

**Suitability**

Suitability deals with the overall rationale of the strategy. The key point to consider is whether the strategy would address the key strategic issues underlined by the organization's strategic position.

- Does it make economic sense?
- Would the organization obtain economies of scale or economies of scope?
- Would it be suitable in terms of environment and capabilities?

Tools that can be used to evaluate suitability include:

- Ranking strategic options
- Decision trees

**Feasibility**

Feasibility is concerned with whether the resources required to implement the strategy are available, can be developed or obtained. Resources include ***funding, people, time, and information***. Or cash flow in the market

Tools that can be used to evaluate feasibility include:

- Cash flow analysis and forecasting
- Break-even analysis
- Resource deployment analysis

Acceptability is concerned with the expectations of the identified stakeholders (mainly shareholders, employees and customers) with the expected performance outcomes, which can be return, risk and stakeholder/stakeholders reactions.

**Return** deals with the benefits expected by the stakeholders (financial and non-financial). For example, shareholders would expect the increase of their wealth, employees would expect improvement in their careers and customers would expect better value for money.

**Risk** deals with the probability and consequences of failure of a strategy (financial and non-financial).

**A stakeholder reaction deals** with anticipating the likely reaction of stakeholders. Shareholders could oppose the issuing of new shares, employees and unions could oppose outsourcing for fear of losing their jobs, customers could have concerns over a merger with regards to quality and support.

Tools that can be used to evaluate acceptability include:

- What-if analysis
- Stakeholder mapping

### The direction of action

Strategic options may span a number of options, including:

- Growth-based (inspired by Igor Ansoff's matrix – market development, product development, market penetration, diversification)
- Consolidation
- Divestment
- Harvesting

The exact option depends on the given resources of the firm, in addition to the nature of products' performance in given industries. A generally well-performing organization may seek to harvest (i.e. let a product die a natural death in the market) a product, if via portfolio analysis it was performing poorly comparative to others in the market.

Additionally, the exact means of implementing a strategy needs to be considered. These points range from:

- Strategic alliances
- Capital Expenditures (CAPEX)
- Internal development (,i.e. utilizing one's own strategic capability in a given course of action)
- M&A (Mergers and Acquisitions)

The chosen option in this context is dependent on the strategic capabilities of a firm. A company may opt for an acquisition (actually buying and absorbing a smaller firm), if it meant speedy entry into a market or lack of time in internal development. A strategic alliance (such as a network, consortium or joint venture) can leverage on mutual skills between companies. Some countries, such as India and China, specifically state that FDI in their countries should be executed via a strategic alliance arrangement.

## Strategic implementation and control

Once a strategy has been identified, it must then be put into practice. This may involve organizing, resourcing and utilizing change management procedures:

## Organizing

Organizing relates to how an organizational design of a company can fit or align with a chosen strategy. This concerns the nature of reporting relationships, spans of control, and any strategic business units (SBUs) that require to be formed. Typically, an SBU will be created (which often has some degree of autonomous decision-making) if it exists in a market with unique conditions, or has/requires unique strategic capabilities (, i.e. the skills needed for the running and competition of the SBU are different).

**Resourcing**

Resourcing is literally the resources required to put the strategy into practice, ranging from human resources, to capital equipment, and to ICT-based implements.

**Change Management**

In the process of implementing strategic plans, an organization must be wary of forces that may legitimately seek to obstruct such changes. It is important then that effectual change management practices are instituted. These encompass:

- The appointment of a change agent, as an individual who would champion the changes and seek to reassure and allay any fears arising.
- Ascertaining the causes of the resistance to organizational change (whether from employees, perceived loss of job security, etc.)
- Via change agency, slowly limiting the negative effects that a change may uncover.

**General Approaches**

In general terms, there are two main approaches, which are opposite but complement each other in some ways, to strategic management:

**The Industrial Organizational Approach**

- Based on economic theory — deals with issues like competitive rivalry, resource allocation, economies of scale
- Assumptions — rationality, self-discipline behavior, profit maximization

**The Sociological Approach**

- Deals primarily with human interactions
- Assumptions — bounded rationality, satisfying behavior, profit sub-optimality. An example of a company that currently operates

this way is Google. The stakeholder focused approach is an example of this modern approach to strategy.

Strategic management techniques can be viewed as bottom-up, top-down or collaborative processes. In the bottom-up approach, employees submit proposals to their managers who, in turn, funnel the best ideas further up the organization. This is often accomplished by a capital budgeting process. Proposals are assessed using financial criteria such as return on investment or cost-benefit analysis. Cost underestimation and benefit overestimation are major sources of error. The proposals that are approved form the substance of a new strategy, all of which is done without a grand strategic design or a strategic architect. The top-down approach is the most common by far. In it, the CEO, possibly with the assistance of a strategic planning team, decides on the overall direction the company should take. Some organizations are starting to experiment with collaborative strategic planning techniques that recognize the emergent nature of strategic decisions.

Strategic decisions should focus on Outcome, Time remaining, and current Value/priority. The outcome comprises both the desired ending goal and the plan designed to reach that goal. Managing strategically requires paying attention to the time remaining to reach a particular level or goal and adjusting the pace and options accordingly. Value/priority relates to the shifting, relative concept of value-add. Strategic decisions should be based on the understanding that the value-add of whatever you are managing is a constantly changing reference point. An objective that begins with a high level of value-add may change due to influence of internal and external factors. Strategic management by definition is managing with a heads-up approach to outcome, time and relative value, and actively making course corrections as needed.

Simulation strategies are also used by managers in an industry. The purpose of simulation gaming is to prepare managers make well rounded decisions. There are two main focuses of the different simulation games, generalized games and functional games. Generalized games are those that are designed to provide participants with new forms of how to adapt to an unfamiliar environment and make business decisions when in doubt. On the other hand, functional games are designed to make participants more aware of being able to deal with situations that bring about one or more problems that are encountered in a corporate function within an industry.

## The Strategy Hierarchy

In most (large) corporations there are several levels of management. Corporate strategy is the highest of these levels in the sense that it is the broadest – applying to all parts of the firm – while also incorporating the longest time horizon. It gives direction to corporate values, corporate culture, corporate goals, and corporate missions. Under this broad corporate strategy there are typically business-level competitive strategies and functional unit strategies.

**Corporate strategy** refers to the overarching strategy of the diversified firm. Such a corporate strategy answers the questions of "which businesses should we be in?" and "how does being in these businesses create synergy and/or add to the competitive advantage of the corporation as a whole?" **Business strategy** refers to the aggregated strategies of single business firm or a strategic business unit (SBU) in a diversified corporation. According to Michael Porter, a firm must formulate a business strategy that incorporates cost leadership, differentiation, or focus to achieve a sustainable competitive advantage and long-term success. Alternatively, according to W. Chan Kim and Renée Mauborgne, an organization can achieve high growth and profits by creating a Blue Ocean Strategy that breaks the previous value-cost trade off by simultaneously pursuing both differentiation and low cost.

**Functional strategies** include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, supply-chain strategies, and information technology management strategies. The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader corporate strategies.

Many companies feel that a functional organizational structure is not an efficient way to organize activities so they have reengineered according to processes or SBUs. **A strategic business unit** is a semi-autonomous unit that is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting. An SBU is treated as an internal profit center by corporate headquarters. A technology strategy, for example, although it is focused on technology as a means of achieving an organization›s overall objective(s), may include dimensions that are beyond the scope of a single business unit, engineering organization or IT department.

An additional level of strategy called **operational strategy** was encouraged by Peter Drucker in his theory of Management by Objectives (MBO). It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies.

Since the turn of the millennium, some firms have reverted to a simpler strategic structure driven by advances in information technology. It is felt that knowledge management systems should be used to share information and create common goals. Strategic divisions are thought to hamper this process. This notion of strategy has been captured under the rubric of **dynamic strategy,** popularized by Carpenter and Sanders's textbook. This work builds on that of Brown and Eisenhart as well as Christensen and portrays firm strategy, both business and corporate, as necessarily embracing ongoing strategic change, and the seamless integration of strategy formulation and implementation. Such change and implementation are usually built into the strategy through the staging and pacing facets.

### Reasons why strategic plans fail

There are many reasons why strategic plans fail, especially:

- Failure to execute by overcoming the four key organizational hurdles.
  - Cognitive hurdle
  - Motivational hurdle
  - Resource hurdle
  - Political hurdle
- Failure to understand the customer
  - Why do they buy

- Is there a real need for the product
- inadequate or incorrect marketing research

- Inability to predict environmental reaction
  - What will competitors do
    - Fighting brands
    - Price wars
  - Will government intervene
- Over-estimation of resource competence
  - Can the staff, equipment, and processes handle the new strategy
  - Failure to develop new employee and management skills
- Failure to coordinate
  - Reporting and control relationships not adequate
  - Organizational structure not flexible enough
- Failure to obtain senior management commitment
  - Failure to get management involved right from the start
  - Failure to obtain sufficient company resources to accomplish task
- Failure to obtain employee commitment
  - New strategy not well explained to employees
  - No incentives given to workers to embrace the new strategy
- Under-estimation of time requirements
  - No critical path analysis done
- Failure to follow the plan
  - No follow through after initial planning
  - No tracking of progress against plan
  - No consequences for above
- Failure to manage change
  - Inadequate understanding of the internal resistance to change
  - Lack of vision on the relationships between processes, technology and organization
- Poor communications
  - Insufficient information sharing among stakeholders
  - Exclusion of stakeholders and delegates

## Marketing Planning

Businesses that succeed do so by creating and keeping customers. They do this by providing better value for the customer than the competition. Marketing management constantly have to assess which customers they are trying to reach and how they can design products and services that provide better value ("competitive advantage").The main problem with this process is that the "environment" in which businesses operate is constantly changing. So a business must adapt to reflect changes in the environment and make decisions about how to change the marketing mix in order to succeed. This process of adapting and decision-making is known as marketing planning.

## Marketing planning's fit in with the overall strategic planning of a business

**Strategic planning** is concerned about the overall direction of the business. It is concerned with marketing, of course. But it also involves decision-making about production and operations, finance, human resource management and other business issues.

**The objective of a strategic plan is to set the direction of a business and create its shape so that the products and services it provides meet the overall business objectives.**

Marketing has a key role to play in strategic planning, because it is the job of marketing management to understand and manage the links between the business and the "environment". Sometimes this is quite a straightforward task. For example, in many small businesses there is only one geographical market and a limited number of products (perhaps only one product!).

However, consider the challenge faced by marketing management in a multinational business, with hundreds of business units located around the globe, producing a wide range of products. How can such management keep control of marketing decision-making in such a complex situation? This calls for well-organized marketing planning.

## Issues that should be addressed in strategic and marketing planning

The following questions lie at the heart of any marketing and strategic planning process:

- Where are we now?
- How did we get there?
- Where are we heading?
- Where would we like to be?
- How do we get there?
- Are we on course?

Businesses operate in hostile and increasingly complex environment. The ability of a business to achieve profitable sales is impacted by dozens of environmental factors, many of which are inter-connected. It makes sense to try to bring some order to this chaos by understanding the commercial environment and bringing some strategic sense to the process of marketing products and services.

A marketing plan is useful to many people in a business. It can help to:

- Identify sources of competitive advantage
- Gain commitment to a strategy
- Get resources needed to invest in and build the business
- Inform stakeholders in the business
- Set objectives and strategies
- Measure performance

## Elements of Marketing Strategy

A marketing strategy is composed of several interrelated elements. The first and most important is market selection: choosing the markets to be served. Product planning includes the specific products the company sells, the makeup of the product line, and the design of individual offerings in the line. Another element is the distribution system: the wholesale and retail channels through which the product moves to the people who ultimately buy it and use it.

The overall communications strategy employs advertising to tell potential customers about the product through radio, television, direct mail, and public print and personal selling to deploy a sales force to call on potential customers, urge them to buy, and take orders.

Finally, pricing is an important element of any marketing program. The company must set the product prices that different classes of customers will pay and determine the margins or commissions to compensate agents, wholesalers, and retailers for moving the product to ultimate users.

Depending on the nature of the product and its markets, the marketing strategy may also include other components. A company whose products need repair and maintenance must have programs for product service. Such programs are often businesses in themselves and require extensive repair shops, technical service personnel, and inventories of spare parts.

For some companies, the nature and amount of technical assistance provided to customers is critical to marketing success and therefore an important part of strategy.

In many businesses, customer credit is an important element of the marketing program. Companies that operate gasoline stations, retail stores, or travel agencies, for example, must extend credit simply to compete for business. So must companies selling industrial equipment, raw materials, and supplies.

In businesses where products can be shipped only a certain distance from the plant, plant location determines the company's available market. A container plant, for example, can serve only a limited geographic area because shipping costs are high in relation to the product's unit value. When transport over long distances becomes uneconomical, plant location becomes a strategic marketing decision.

Brand name also be an important element of marketing strategy. A company may have to choose between using a family brand name (such as Kraft for cheeses, jams, jellies) or a distinct name (such as Lite for a beer made by Miller Brewing Company).

## Retailing, Role, Relevance and Trends

**Retailing in India** is one of the pillars of its economy and accounts for about 15% of its GDP. The Indian retail market is estimated to be US$ 450 billion and one of the top five retail markets in the world by economic value. India is one of the fastest growing retail markets in the world, with 1.2 billion people.

India's retailing industry is essentially owner manned small shops. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. India's retail and logistics industry employs about 40 million Indians (3.3% of Indian population).

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets. Even single-brand retail was limited to 51% ownership and a bureaucratic process.

In November 2011, India's central government announced retail reforms for both multi-brand stores and single-brand stores. These market reforms paved the way for retail innovation and competition with multi-brand retailers such as Wal-Mart, Carre four and Tesco, as well single brand majors such as IKEA, Nike, and Apple. The announcement sparked intense activism, both in opposition and in support of the reforms. In December 2011, under pressure from the opposition, Indian government placed the retail reforms on hold till it reaches a consensus.

In January 2012, India approved reforms for single-brand stores welcoming anyone in the world to innovate in Indian retail market with 100% ownership, but imposed the requirement that the single brand retailer source 30 percent of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores. IKEA announced in January that it is putting on hold its plan to open stores in India because of the 30 percent requirement. Fitch believes that the 30 percent requirement is likely to significantly delay if not prevent most single brand majors from Europe, USA and Japan from opening stores and creating associated jobs in India.

Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. 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 mom and pop store, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc. Organized retailing was absent in most rural and small towns of India in 2010. Supermarkets and similar organized retail accounted for just 4% of the market.

Most Indian shopping takes place in open markets or millions of small, independent grocery and retail shops. Shoppers typically stand outside the retail shop, ask for what they want, and cannot pick or examine a product from the shelf. Access to the shelf or product storage area is limited. Once the shopper requests the food staple or household product they are looking for, the shopkeeper goes to the container or shelf or to the back of the store, brings it out and offers it for sale to the shopper. Often the shopkeeper may substitute the product, claiming that it is similar or equivalent to the product the consumer is asking for. The product typically has no price label in these small retail shops; although some products do have a manufactured suggested retail price (MSRP) pre-printed on the packaging. The shopkeeper prices the food staple and household products arbitrarily, and two consumers may pay different prices for the same product on the same day. Price is sometimes negotiated between the shopper and shopkeeper. The shoppers do not have time to examine the product label, and do not have a choice to make an informed decision between competitive products.

India's retail and logistics industry, organized and unorganized in combination, employs about 40 million Indians (3.3% of Indian population). The typical Indian retail shops are very small. Over 14 million outlets operate in the country and only 4% of them being larger than 500 sq ft (46 $m^2$) in size. India has about 11 shop outlets for every 1000 people. Vast majority of the unorganized retail shops in India employ family members, do not have the scale to procure or transport products at high volume wholesale level, have limited to no quality control or fake-versus-authentic product screening technology and have no training on safe and hygienic storage, packaging or logistics. The unorganized retail shops source their products from a chain of middlemen who mark up the product as it moves from farmer or producer to the consumer. The unorganized retail shops typically offer no after-sales support or service. Finally, most transactions at unorganized retail shops are done with cash, with all sales being final.

Until the 1990s, regulations prevented innovation and entrepreneurship in Indian retailing. Some retails faced complying with over thirty regulations such as "signboard licenses" and "anti-hoarding measures" before they could open doors. There are taxes for moving goods to states, from states, and even within states in some cases. Farmers and producers had to go through middlemen monopolies. The logistics and infrastructure was very poor, with losses exceeding 30 percent.

Through the 1990s, India introduced widespread free market reforms, including some related to retail. Between 2000 to 2010 consumers in select Indian cities have gradually begun to experience the quality, choice, convenience and benefits of organized retail industry.

**Growth over 1997-2010**

India in 1997 allowed foreign direct investment (FDI) in cash and carry wholesale. Then, it required government approval. The approval requirement was relaxed, and automatic permission was granted in 2006. Between 2000 and 2010, Indian retail business attracted about $1.8 billion in foreign direct investment, representing a very small 1.5% of total investment flow into India.

Single brand retailing attracted 94 proposals between 2006 and 2010, of which 57 were approved and implemented. For a country of 1.2 billion people, this is a very small number. Some claim one of the primary restraints inhibiting better participation was that India required single brand retailers to limit their ownership in Indian outlets to 51%. China in contrast allows 100% ownership by foreign companies in both single brand and multi-brand retail presence.

Indian retail has experienced limited growth, and its spoilage of food harvest is amongst the highest in the world, because of very limited integrated cold-chain and other infrastructure. India has only 5386 stand-alone cold storages, having a total capacity of 23.6 million metric tons. However, 80 percent of this storage is used only for potatoes. The remaining infrastructure capacity is less than 1% of the annual farm output of India and grossly inadequate during peak harvest seasons. This leads to about 30% losses in certain perishable agricultural output in India, on average, every year.

Indian laws already allow foreign direct investment in cold-chain infrastructure to the extent of 100 percent. There has been no interest in foreign direct investment in cold storage infrastructure build out. Experts claim that cold storage infrastructure will become economically viable only when there is strong and contractually-binding demand from organized retail. The risk of cold storing perishable food, without an assured way to move and sell it, puts the economic viability of expensive cold storage in doubt. In the absence of organized retail competition and with a ban on foreign direct investment in multi-brand retailers, foreign direct investments are unlikely to begin in cold storage and farm logistics infrastructure.

Until 2010, intermediaries and middlemen in India have dominated the value chain. Due to a number of intermediaries involved in the traditional Indian retail chain, norms are flouted and pricing lacks transparency. Small Indian farmers realize only 1/3rd of the total price paid by the final Indian consumer, as against 2/3rd by farmers in nations with a higher share of organized retail. The 60%+ margins for middlemen and traditional retail shops have limited growth and prevented innovation in Indian retail industry.

India has had years of debate and discussions on the risks and prudence of allowing innovation and competition within its retail industry. Numerous economists repeatedly recommended to the Government of India that legal restrictions on organized retail must be removed, and the retail industry in India must be opened to competition. For example, in an invited address to the Indian parliament in December 2010, Jagdish Bhagwati, Professor of Economics and Law at the Columbia University analyzed the relationship between growth and poverty reduction, then urged the Indian parliament to extend economic reforms by freeing up of the retail sector, further liberalization of trade in all sectors, and introducing labor market reforms. Such reforms Professor Bhagwati argued will accelerate economic growth and make a sustainable difference in the life of India's poorest.

A 2007 report noted that an increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is pegged at 6 percent.

The Retail Business in India is currently at the point of inflection. As of 2008, rapid change with investments to the tune of US $ 25 billion was being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to India Brand Equity Foundation (IBEF); it is valued at about US$ 395.96 billion. Organized retail is expected to garner about 16-18 percent of the total retail market (US $ 65-75 billion) in the next 5 years.

India has topped the A.T. Kearney's annual Global Retail Development Index (GRDI) for the third consecutive year, maintaining its position as the most attractive market for retail investment. The Indian economy has registered a growth of 8% for 2007. The prediction for 2008 is 7.9%.The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010, 300 malls are estimated to be operational in the country.

### Growth after 2011

Before 2011, India had prevented innovation and organized competition in its consumer retail industry. Several studies claim that the lack of infrastructure and competitive retail industry is a key cause of India's persistently high inflation. Furthermore, because of unorganized retail, in a nation where malnutrition remains a serious problem, food waste is rife. Well over 30% of food staples and perishable goods produced in India spoils because poor infrastructure and small retail outlets prevent hygienic storage and movement of the goods from the farmer to the consumer.

One report estimates the 2011 Indian retail market as generating sales of about $470 billion a year, of which a miniscule $27 billion comes from organized retail such as supermarkets, chain stores with centralized operations and shops in malls. The opening of retail industry to free market competition, some claim will enable rapid growth in retail sector of Indian economy.

Others believe the growth of Indian retail industry will take time, with organized retail possibly needing a decade to grow to a 25% share. A 25% market share, given the expected growth of Indian retail industry through 2021, is estimated to be over $250 billion a year: revenue equal to the 2009 revenue share from Japan for the world's 250 largest retailers.

The Economist forecasts that Indian retail will nearly double in economic value, expanding by about $400 billion by 2020. The projected increase alone is equivalent to the current retail market size of France.

In 2011, food accounted for 70% of Indian retail, but was under-represented by organized retail. A.T. Kearney estimates India's organized retail had a 31% share in clothing and apparel, while the home supplies retail was growing between 20% to 30% per yearThese data correspond to retail prospects prior to November announcement of the retail reform.

## Description of Trends

### 1. E-Commerce

The decade of the 2010s will be the "linked decade." Online buyers are increasing in large numbers, and retailers are understandably taking advantage of this market. Retailers are offering online shopping. The Internet may account for 25 percent of all durable goods and merchandise sales.

Currently, Web retail shopping include book and music retailers, grocery and department store chains, and non-apparel specialty stores. According to J.G. Sandom, director interactive, Ogilvy Interactive, New York, says, "If you're not on the Web ready to do electronic commerce, you're history" (Freeman, 1999).

**2. Kids in Retail Trade**

Children play an important role in the retail market (Raymond, 1999). Children may influence 17 percent of family spending on cars and vacations and as much as 80 percent on food purchases. However, teenagers have more than just influence, they have credit cards.

**3. Know Your Customer**

Almost every giant supermarket chain is now compiling customer information. They have customer information

**4. Entertaining the Customer**

A noticeable trend is "entertainmentalization" of retailing (Raymond, 1999). For example, hosting a live concert was telecast in the retailer's electronics departments nation-wide. Even though few new malls will be built, the revitalizing of old malls will include an entertainment theme.

On a less elaborate scale, retailers will continue to attempt to entertain the customer through the use of creative displays, lighting, and merchandising. In the end, entertaining the customer is just one more way of competing for the business of a consumer who has ceased to view shopping as recreation, but instead views it as a chore.

**5. Globalization of Retail Trade**

Most analysts agree that international retailing will increase over the next several years. The number is expected to grow. Reasons for this prediction include certain "push" factors. It is predicted that 90 of the top 100 global retailers will have international operations.

**6. Smart Cards**

A smart card is a card that is embedded with a microprocessor and a memory chip. Such cards can be used to hold money, such as prepaid phone cards, debit cards, and gift certificate cards. A trend for the future will likely be the consolidation of smart cards.

## Summary

Marketing management is a business discipline which is focused on the practical application of marketing techniques and the management of a firm's marketing resources and activities. Rapidly emerging forces of globalization have compelled firms to market beyond the borders of their home country making International marketing highly significant and an integral part of a firm's marketing strategy. Marketing managers are often responsible for influencing the level, timing, and composition of customer demand accepted definition of the term. In part, this is because the role of a marketing manager can vary significantly based on business' size, corporate culture, and industry context. Strategic management is a level of managerial activity under setting goals and over Tactics. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is useful to talk about «strategic alignment» between the organization and its environment or «strategic consistency.» According to Arieu (2007), «there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context.» Strategic management includes not only the management team but can also include the Board of Directors and other stakeholders of the organization. It depends on the organizational structure. Businesses that succeed do so by creating and keeping customers. They do this by providing better value for the customer than the competition. Marketing management constantly have to assess which customers they are trying to reach and how they can design products and services that provide better value ("competitive advantage"). The main problem with this process is that the "environment" in which businesses operate is constantly changing. So a business must adapt to reflect changes in the environment and make decisions about how to change the marketing mix in order to succeed. This process of adapting and decision-making is known as marketing planning.

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## Lesson 1.2 - Retail Customer, Market Segmentation and Franchising

### Learning Objectives

- Know the concept of Market Segmentation
- Understand Relationship Marketing in Retailing
- Understand the Role of Relationship Marketing in Retailing

### Introduction

Develop customer-friendly policies, train your employees to provide excellent customer service skills, and learn how to personalize the shop's customer service. We also have tips for creating customer loyalty, dealing with disgruntled customers and other customer relations advice.

### Retail Customer Service Fundamentals

Customer service miracle in action occurs. Rather than reply with the same nasty treatment they get from the customer, quickly apologize. Then with a smile say, "I would be glad to clean that up for you." Even if the staff never hears the words "thank you" from that customer, yet they must act as if they had. By being professional you convey an attitude that says, "We love having the opportunity to serve each and every person at this place."

If you don't work with customers in retail, be sure to communicate your appreciation to the people that serve you well. Believe it or not, a simple but sincere "thank you" goes a long way.

If you do work with customers in retail, take a look at the list and ask yourself how closely you follow the rules.

### Tips for Excellent Retail Customer Service

1. Smile when greeting a customer in person and on the phone (and yes, they can tell if you are smiling over the telephone!).

2. Use age-appropriate greetings, and avoid referring to older customers and women as “guys.”
3. Be proactive and ask how you may be of service.
4. Stay visible and available, but don’t hover.
5. Don’t turn away, walk away, and start to make a phone call, or duck beneath the counter as a customer approaches. (We’ve all had it happen to us.)
6. The live customer standing in front of you takes precedence over someone who calls on the phone.
7. Never judge a book by its cover—all customers deserve attention regardless of their age or appearance.
8. Leave food and beverages in the break room.
9. A customer doesn’t want to hear about your upcoming break.
10. Makes any personal calls when you’re on a break and out of earshot.
11. The correct answer is never “I don’t know” unless you add to it, “but I can find out for you.”
12. If a customer wants something that isn’t on display, go to the stock room and try to find it.
13. If the item isn’t in the stock room, offer to call another store or order it.
14. Learn to read body language to see if a customer could use some help.
15. Don’t let chatty customers monopolize your time if others are waiting.
16. Call for backup support if lines are forming.
17. Be discrete if a customer’s credit card is declined by asking if there is another method of payment he or she would like to use.
18. Never discuss customers in front of other customers (they’ll wonder what you’re saying about them once they leave).
19. Inspect merchandise before bagging it to make sure it’s not defective or the wrong size.
20. Make sure customers receive everything they’ve paid for before they leave your store.

21. Smile as you are saying goodbye and encourage the customer to come again.

And here's one more tip: if you can, give people more than what they expect.

Buying is critical. Location can make or break a retail organization. But superior customer service is consistently the one ingredient which differentiates mediocre retail companies from the highly successful ones. The higher the customer service levels in retail, the greater the customer loyalty, the greater the repeat traffic, and the higher the sales.

### Types of Retailers by Marketing Strategy

- Department stores - very large stores offering a huge assortment of "soft" and "hard goods; often bear a resemblance to a collection of specialty stores. A retailer of such store carries variety of categories and has broad assortment at average price. They offer considerable customer service.
- Discount stores - tend to offer a wide array of products and services, but they compete mainly on price offers extensive assortment of merchandise at affordable and cut-rate prices. Normally retailers sell less fashion-oriented brands.
- Warehouse stores - warehouses that offer low-cost, often high-quantity goods piled on pallets or steel shelves; warehouse clubs charge a membership fee;
- Variety stores - these offer extremely low-cost goods, with limited selection;
- Demographic - retailers that aim at one particular segment (e.g., high-end retailers focusing on wealthy individuals).
- Mom-And-Pop: is a retail outlet that is owned and operated by individuals. The range of products are very selective and few in numbers. These stores are seen in local community often are family-run businesses. The square feet area of the store depends on the store holder.
- **Specialty stores:** A typical specialty store gives attention to a particular category and provides high level of service to the customers.

A pet store that specializes in selling dog food would be regarded as a specialty store. However, branded stores also come under this format. For example if a customer visits a Reebok or Gap store then they find just Reebok and Gap products in the respective stores.

- **General store** - a rural store that supplies the main needs for the local community;
- **Convenience stores:** is essentially found in residential areas. They provide limited amount of merchandise at more than average prices with a speedy checkout. This store is ideal for emergency and immediate purchases.
- **Hypermarkets**: provides variety and huge volumes of exclusive merchandise at low margins. The operating cost is comparatively less than other retail formats.
- **Supermarkets**: is a self-service store consisting mainly of grocery and limited products on non-food items. They may adopt a Hi-Lo or an EDLP strategy for pricing. The supermarkets can be anywhere between 20,000 and 40,000 square feet (3,700 $m^2$). Example: SPAR supermarket.
- **Malls**: has a range of retail shops at a single outlet. They endow with products, food and entertainment under a roof.
- **Category killers or Category Specialist:** By supplying wide assortment in a single category for lower prices a retailer can "kill" that category for other retailers. For few categories, such as electronics, the products are displayed at the center of the store and sales person will be available to address customer queries and give suggestions when required. Other retail format stores are forced to reduce the prices if a category specialist retail store is present in the vicinity.
- **E-tailers:** The customer can shop and order through internet and the merchandise are dropped at the customer's doorstep. Here the retailers use drop shipping technique. They accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping. However it is important for the customer to be wary about defective products and non-secure credit card transaction. Example: Amazon, Pennyful and EBay.

- **Vending Machines:** This is an automated piece of equipment wherein customers can drop in the money in machine and acquire the products.
- Some stores take a no frills approach, while others are "mid-range" or "high end", depending on what income level they target.
- Other types of retail store include:
- Automated Retail stores are self-service, robotic kiosks located in airports, malls and grocery stores. The stores accept credit cards and are usually open 24/7. Examples include Zoom Shops and Redbox.
- Big-box stores encompass larger department, discount, general merchandise, and warehouse stores.
- Convenience store - a small store often with extended hours, stocking everyday or roadside items;
- General store - a store which sells most goods needed, typically in a rural area;
- Retailers can opt for a format as each provides different retail mix to its customers based on their customer demographics, lifestyle and purchase behaviour. A good format will lend a hand to display products well and entice the target customers to spawn sales.

## Retail pricing

The pricing technique used by most retailers is cost-plus pricing. This involves adding a markup amount (or percentage) to the retailer's cost. Another common technique is suggested retail pricing. This simply involves charging the amount suggested by the manufacturer and usually printed on the product by the manufacturer.

In Western countries, retail prices are often called psychological prices or odd prices. Often prices are fixed and displayed on signs or labels. Alternatively, when prices are not clearly displayed, there can be price discrimination, where the sale price is dependent upon which the customer is. For example, a customer may have to pay more if the seller determines that he or she is willing and/or able to. Another example would be the practice of discounting for youths, students, or senior citizens..

**Franchising - When a Franchise System Works**

- First, a franchise system makes sense when local operators are better than the hired help.
- Second, a franchise system makes sense when there are networks effects: think of a phone system, the incremental cost to one more user dwarfs the incremental gain to the network being able to talk to that user.
- Third, there has to be something in the franchise system which turns a $8.00/hr job + technology into a replacement for a $25.00/hr job.
- Fourth, if you are in position to change the distribution network of goods through your franchise system that is good thing.
- Fifth, don't make money by purchasing captive markets - eg your franchisees.

Some professionals do franchise. There's a franchise system of dentists. Some large systems come to mind. Jackson Hewitt, H&R Block and others come to mind.

**Franchising in India:** Today Indian franchise sector is growing at the rate of 38 per cent per annum with a present market size of US$ 7.2 billion and is expected to reach US$ 20 billion by 2013. There are 1200 active franchise concepts in India and over 110,000 franchisees. Education and retail are two important sectors where franchising is prominent.

**Fashion Franchising:** The retail and franchise business models mature to gradually evolve into the best mode to tap the proven potential of Indian fashion retail. There are at present approximately 210 fashion franchise concepts in India, which includes both domestic as well as International. The nation presently has around 125 apparel, 10 lingerie, 35 jewellery, 30 footwear and 10 accessory franchise concepts.

This number is bound to grow further as the industry is growing as annual rate of 12%. Most of the fashion franchisors are based in northern and western part of the country largely attributed to the manufacturing clusters present in these regions.

**The Report:** The fashion & lifestyle Franchise Report is an outcome of a pioneering initiative taken by Franchise India Holdings Ltd. It accords the fashion franchising sector with the recognition it has long deserved. This report provides strategic approach to the opportunities and challenges being witnessed in fashion franchising.

The primary objective of this report is to provide a snapshot of current trends in fashion franchising vis-à-vis expert analysis of various elements having implications on it.

The Fashion & Lifestyle Franchising Report 2009 gives a comprehensive learning curve for fashion concept store owners and existing fashion entrepreneurs as well as companies to look out and replicate their brands success, through franchising across the country.

**Apparel Franchising:** The 25 billion USD apparel retail industry, is one of the most franchised fashion concept. The report discussed the market size, segmentation, retail trends as well as the growth projections Report concludes that men's wear apparel segment observes the maximum franchise activity The kid`s wear franchise activity presently at 25% is expected to increase in near future. Business format franchising is expected to increase in this segment. The report also discusses franchise model considerations as well as its various implications, including the minimum guarantee model which is slowly losing importance as the franchisors seek operational efficiency along with visibility and penetration.

**Lingerie Franchising:** Lingerie retail in India is very naive and the concepts seek maturity in terms of acceptability. Presently only 3% of the lingerie stores are franchised as most of the business comes from the MBO formats. MBOs make economic sense though the experts believe that a exclusive brand outlets have positive feasibility to succeed

**Footwear Franchising:** The Indian footwear retail market is expected to grow at a CAGR of over 20 per cent for the period spanning from 2009 to 2011. Presently, the Indian footwear market is dominated by men's footwear market that accounts for nearly 58 per cent of the total Indian footwear retail market, and by products, the Indian footwear market is dominated by casual footwear market that makes up for nearly two-thirds of the total footwear retail market.. International franchisors have been trying to optimize brand positioning as well as the price points to tap Indian footwear market. At the same time the sports footwear Majority of international franchisors based in Europe and Italy. The segment has the highest franchise activity (23%)

**Jewellery Franchising:** Diamond remains one of the most franchised concept led by Gitanjali and D`damas. This could be attributed to the fact that diamond retail being a new concept in early 90`s, preferred to expand through franchising. Majority of the indigenous family jewelers based in Indore, Kolkota, Ludhiana and Delhi, realized the importance of branding by building significant brand equity and expanded through franchising. Western states seems to be leading this trend

## Market Segmentation and Expansion through Market Penetration

The structure of the Irish grocery industry has changed dramatically in the past 40 years. Traditionally it consisted of thousands of small independent retailers, each of which accounted for a tiny proportion of overall retail sales. Manufacturers relied heavily on a channel of distribution which included wholesalers distributing goods to retailers around the country. In the 1960s, the Irish retail market changed with the arrival of supermarkets, which grew swiftly by opening in multiple outlets. Ina relatively short period of time, large quantities of grocery sales were accounted for by a small number of supermarket multiples. As these retailers grew in size, they bypassed the wholesalers and bought directly from the manufacturers, availing of discounts which independent smaller retailers could not acquire due to their size.

This led to increased competitiveness and many of the smaller retailers were unable to survive. In 1966, there were12,681 grocery retailers in Ireland. Thirty years later, this figure had shrunk to just 5,296. Marketing Strategy Threatened by this rapid shrinkage of the retail market, Musgrave was forced to act and develop a marketing strategy to with stand this loss of market share. As a wholesaler who supplied the independent retailers, its business faced a rapid decline. In response, managers looked at the trends in the market and decided upon a strategy to deal with the changing situation. They identified several gaps in the market that were not at that time being filled by either the large supermarkets or the independent retailers.

- Supermarkets provided a wide range of goods at competitive prices, but tended to be located on the outskirts of towns, and could be time consuming to visit.
- Local ownership/personal service was not provided by large multiples.
- Large multiples were not customizing their businesses to meet the specific needs of their customer base.
- The market was becoming more competitive therefore the need for increased marketing activity and promotions was required.
- Independent retailers could not compete on price, product range or standard of modern retailing system.

### Market Segmentation

Following the identification of the gaps in the market, Musgrave decided to segment the market of the independent retailer into two groups:

- The “Trolley Shopper” who bought most of their groceries in one weekly shopping trip to the supermarket.
- The “Basket Shopper” who made smaller purchases on a more regular basis.

In 1979, Musgrave created two new brands, Super Value and Central to meet the needs of both segments. Super Value was aimed at the “trolley shopper” while Central was expected to cater for the “basket shopper”. Both were offered as franchise opportunities to independent retailers. The franchise Musgrave offered was quite unique – it was purely voluntary and the independent retailers did not have to pay a franchise fee, or relinquish ownership. Instead, they would be provided with an extensive range of services aimed at improving their performance. In return, Musgrave would benefit from the increased sales of these retailers.

### Relationship Marketing in Retailing

Relationship marketing was first defined as a form of marketing developed from direct response marketing campaigns which emphasizes customer retention and satisfaction, rather than a dominant focus on sales transactions

As a practice, relationship marketing differs from other forms of marketing in that it recognizes the long term value of customer relationships and extends communication beyond intrusive advertising and sales promotional messages.

With the growth of the internet and mobile platforms, relationship marketing has continued to evolve and move forward as technology opens more collaborative and social communication channels. This includes tools for managing relationships with customers that go beyond simple demographic and customer service data. Relationship marketing extends to include inbound marketing efforts, (a combination of search optimization and strategic content), PR, social media and application development. Relationship marketing is a broadly recognized, widely-implemented strategy for managing and nurturing a company's interactions with clients and sales prospects.

It also involves using technology to organize, synchronize business processes, (principally sales and marketing activities), and most importantly, automate those marketing and communication activities on concrete marketing sequences that could run in autopilot, (also known as marketing sequences). The overall goals are to find, attract and win new clients, nurture and retain those the company already has, entice former clients back into the fold, and reduce the costs of marketing and client service. Once simply a label for a category of software tools, today, it generally denotes a company-wide business strategy embracing all client-facing departments and even beyond. When an implementation is effective, people, processes, and technology work in synergy to increase profitability, and reduce operational costs.

Relationship marketing refers to a short-term arrangement where both the buyer and seller have an interest in providing a more satisfying exchange. This approach tries to diambiguiously transcend the simple post purchase-exchange process with a customer to make more truthful and richer contact by providing a more holistic, personalised purchase, and uses the experience to create stronger ties.

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## Lesson 1.3 - Retailing in Banking and Other Financial Services

### Learning Objectives

- Understand the role of Retailing in Banking and Other Financial Services, Mutual Funds and Insurance
- Know the nature of financial services

### Introduction

Retail banking is banking in which banking institutions execute transactions directly with consumers, rather than corporations or other banks. Services offered include: savings and transactional accounts, mortgages, personal loans, debit cards, credit cards, and so forth. Retail Banking services are also termed as Personal Banking services

It is typical mass-market banking in which individual customers use local branches of larger commercial banks. Services offered include savings and checking accounts, mortgages, personal loans, debit/credit cards and certificates of deposit (CDs).

Retail banking is, however, quite broad in nature - it refers to the dealing of commercial banks with individual customers, both on liabilities and assets sides of the balance sheet. Fixed, current / savings accounts on the liabilities side; and mortgages, loans (e.g., personal, housing, auto, and educational) on the assets side, are the more important of the products offered by banks. Related ancillary services include credit cards, or depository services. Today's retail banking sector is characterized by three basic characteristics:

- Multiple products (deposits, credit cards, insurance, investments and securities);
- Multiple channels of distribution (call centre, branch, Internet and kiosk); and
- Multiple customer groups (consumer, small business, and corporate).

Retail banking aims to be the one-stop shop for as many financial services as possible on behalf of retail clients. Some retail banks have even made a push into investment services such as wealth management, brokerage accounts, private banking and retirement planning.

While some of these ancillary services are outsourced to third parties (often for regulatory reasons), they often intertwine with core retail banking accounts like checking and savings to allow for easier transfers and maintenance.

The top banking companies in both public and private sectors in India, servicing needs such as Retail Banking Services, Personal loans, Vehicle Loans, Life Insurance, Health insurance Mutual Funds, stock investment etc., are:

**1. State Bank of India (SBI)**

Safe Banking with SBI, Headquartered in Mumbai, India, SBI is the biggest bank in Asia.

**2. HDFC Bank**

Personal Banking Services | HDFC Bank offers a wide range of personal banking services, NRI Services and finance products including savings and current.

**3. ICICI Bank**

ICICI Bank | Personal Banking | NRI Banking | Corporate Banking | Business Banking Welcome to ICICI Bank - ICICI Bank provides personal banking, NRI banking and corporate banking

**4. Punjab National bank (PNB)**

Welcome to Punjab National Bank - the name you can BANK upon Indian bank with 3850 branches spread throughout the country. Offer Retail Banking services to all customers

**5. UTI Bank (AXIS Bank)**

Axis Bank | Personal Banking, Corporate Banking, NRI Banking, Priority Banking Axis Bank( previously UTI Bank) Provides information about services offered, interest rates, branch and ATM locator, corporate banking, and downloadable forms

**6. Hongkong & Shanghai Banking Corp (HSBC)**

Credit cards, home loans, business banking and more | HSBC Bank India Whatever your banking needs – from accounts to convenient credit cards to a home loan or business account, HSBC India is the best around.

**7. Kotak Mahindra Bank**

Kotak's International Business With a presence outside India since 1994, the international subsidiaries of Kotak Mahindra Bank Ltd.

**8. Sundaram Bank**

Sundaram Finance Group Sundaram Finance( SF ) is a leading Non Banking Finance Company ( NBFC ) in India. SF Group offers a diverse portfolio of products and services including Car and Commercial Vehicle and Equipment Finance, Deposits, Mutual Fund Schemes, Investment schemes.

**9. Oriental Bank of Commerce**

Avail ATM, Internet Banking, Telebanking and SMS Alert Services from any Branch of the Bank. | 24 hrs Card Assistance Centre

## Retail Investment Banking

The J.P. Morgan Consumer & Retail group has a global team of professionals located in New York, London, Chicago, Dallas, San Francisco, Hong Kong, Tokyo and Sydney. Through J.P. Morgan's investment banking platform, the group offers clients a broad range of products and services, including mergers and acquisitions, public and private equity, syndicated loans, high-grade debt and high-yield debt. The group provides premier investment banking services and unparalleled expertise to large and small clients in key sectors, including:

**Consumer**

- Food and Beverages
- Protein and Agribusiness
- Household and Personal Care Products
- Restaurants
- Tobacco
- Sports and Leisure

**Retail**

- Food and Drug Retailing
- Broadline and Hardline Retailing
- Specialty Retailing, Direct and Catalogs
- Apparel and Accessories
- Luxury Goods

The issue of retail banking is extremely important and topical. Across the globe, retail lending has been a spectacular innovation in the commercial banking sector in recent years. The growth of retail lending, especially, in emerging economies, is attributable to the rapid advances in information technology, the evolving macroeconomic environment, financial market reform, and several micro-level demand and supply side factors.

India too experienced a surge in retail banking. There are various pointers towards this. Retail loan is estimated to have accounted for nearly one-fifth of all bank credit. Housing sector is experiencing a boom in its credit. The retail loan market has decisively got transformed from a sellers' market to a buyers' market. Gone are the days where getting a retail loan was somewhat cumbersome. All these emphasize the momentum that retail banking is experiencing in the Indian economy in recent years.

## Retailing In Other Financial Services

Financial services have a very significant impact on consumers' lives. It is therefore important that consumers make well-informed decisions and feel confident that they are adequately protected if something goes wrong.

## Distance Marketing of Financial Services

Unlike goods, when financial services are bought and sold over the internet or by telephone/fax, the 'financial service' as such is a contract between a consumer and a bank, a credit card company, an investment fund, an insurance company, or another financial institution. To boost consumer confidence in these distance marketing techniques - and in particular in internet transactions across borders regulations are drawn to protect the fundamental rights for consumers:

An obligation to provide consumers with comprehensive information before a contract is concluded. A consumer has right to withdraw from the contract during a cooling-off period.

A ban on abusive marketing practices seeking to oblige consumers to buy a service they have not solicited ("inertia selling")

Rules to restrict other practices such as unsolicited phone calls and e-mails ("cold calling" and "spamming")

## Mortgages

A mortgage credit is often the most important financial operation for an ordinary consumer. The Commission has therefore undertaken a number of initiatives aimed at ensuring that consumers make an informed choice.

## Agreement on the Code of Conduct

When signing up to the Code, mortgage lenders commit themselves to giving prospective borrowers two sets of information before they sign a contract:

General information as to the different types of products offered including the types of interest rate (fixed, variable or combinations thereof) and all additional costs associated with taking up a mortgage credit.

Personalized information for the specific product the consumer is interested in, indicating for example the exact amounts to be paid over the full time span of the loan, as well as any possibility and conditions for early repayment.

## Consumer Education in Financial Services

In recent years, financial education has grown in importance as a result of financial market developments, demographic and economic changes. Nowadays, while individuals are taking more responsibility for their financial security, financial products are getting more complex and diverse. Consumers are offered a variety of credit and savings instruments both at home and across borders, provided by a range of entities from on-line banks to other types of credit institutions and brokers. This makes financial products harder to understand and to compare; it also increases the risk of buying an inappropriate product.

## Summary

Retail banking is banking in which banking institutions execute transactions directly with consumers, rather than corporations or other banks. Services offered include: savings and transactional accounts, mortgages, personal loans, debit cards, credit cards, and so forth. Retail Banking services are also termed as Personal Banking services. Retail banking aims to be the one-stop shop for as many financial services as possible on behalf of retail clients. Some retail banks have even made a push into investment services such as wealth management, brokerage accounts, private banking and retirement planning. While some of these ancillary services are outsourced to third parties (often for regulatory reasons), they often intertwine with core retail banking accounts like checking and savings to allow for easier transfers and maintenance.

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## Lesson 1.4 - Social Marketing in Retail Management

### Learning objectives

- Understand the objectives of Social Marketing in Retail Management
- Learn about the Strategic Management of Retailing in India
- Examine the role of Services marketing, Brand Management and Strategies for pricing, advertising & sales promotion

### Introduction

Social marketing is the use of marketing principles to influence human behavior in order to improve health or benefit society. While more comprehensive definitions of social marketing exist, they all share certain common elements.

You don’t have to be a marketing expert to practice social marketing.

It does, however, help to understand a few basic marketing principles:

1. Know your **Audience** (really!) and put them at the center of every decision you make. Social marketing begins and ends with your target audience. In order to understand why your audience isn’t doing what you want them to do, you must understand what barriers are getting in their way. Understand also that you are not the target audience!
2. It’s about **Action**. The process of heightening awareness, shifting attitudes, and strengthening knowledge is valuable if, and only if, it leads to action. Be clear in what you want your audience to do.
3. There must be an **Exchange**. If you want someone to give up, or modify, an old behavior or accept a new one, you must offer that person something very appealing in return. In commercial marketing, there are tangible exchanges (give me a $1 and I’ll give you a Pepsi) and intangible exchanges (by drinking Pepsi, you’re also receiving everything that goes with the image of the brand).

In social marketing, you must know your audience well enough to understand what will motivate them to make changes in their lives. What benefits can you offer to help them over the hump? How can you make it easier for them?

Competition always exists. Your audience can always choose to do something else, hence, we need to keep "the four P's of Marketing" and policy in mind.

### The "Four P's of Marketing" are

1. **Product** represents the desired behavior you are asking your audience to do, and the associated benefits, tangible objects, and/or services that support behavior change.
2. **Price** is the cost (financial, emotional, psychological, or time-related) or barriers the audience faces in making the desired behavior change.
3. **Place** is where the audience will perform the desired behavior, where they will access the program products and services, or where they are thinking about your issue.
4. **Promotion** stands for communication messages, materials, channels, and activities that will effectively reach your audience.

*Policy* refers to the laws and regulations that influence the desired behavior, such as requiring sidewalks to make communities more walkable, or prohibiting smoking in shared public spaces.

It is important to understand that change mostly happens on the "installment plan." Most of us move through predictable stages as we change behavior. We start by not being aware that a change is necessary. At this first stage, we say, "show me." Here, education and awareness are necessary. In the second stage, we become aware but still don't shift behavior, possibly because barriers are in the way. At this stage, we say "let's negotiate." Here, it is necessary to reduce the barriers.

Social marketing is particularly useful in removing barriers that prevent behavior change. At any given time, only a percentage of your target audience will be ready to take action. It's important to understand this when setting realistic expectations of what a campaign can accomplish or what an audience will accept.

**To summaries, social marketing is:**

- A social or behavior change strategy
- Most effective when it activates people
- Targeted to those who have a reason to care and who are ready for change
- Strategic, and requires efficient use of resources
- Integrated, and works on the "installment plan"

**Social marketing is not:**

- Just advertising
- A clever slogan or messaging strategy
- Reaching everyone through a media blitz
- An image campaign
- Done in a vacuum
- A quick process

Sure, we're all smart. We're program planners. We know what we're doing. But we have to listen. That's what is critical in a social marketing effort.

**Retailing in India**

Retail involves the sale of goods from a single point (malls, markets, department stores etc) directly to the consumer in small quantities for his end use. In a layman's language, retailing is nothing but transaction of goods between the seller and the end user as a single unit (piece) or in small quantities to satisfy the needs of the individual and for his direct consumption.

The act through which goods and services reach the end customer for individual or business usage is known as retailing. The players involved in this act are known as retailers. Retailers can be manufactures, distributors or wholesalers. They can reach the end customer through the internet or physical stores. Retail organizations are divided into three categories store retailers, non-store retailers and retail organization.

Over the years non-store retailing has garnered a market share. Non-store retailing includes direct selling, direct marketing, automatic vending and buying service. Avon is an example of direct selling. Internet retail giant Amazon.com is an example of direct marketing. Soft drink vending machines are a form of automatic vending.

Retail organizations are retailing stores under direct ownership of corporate. Customer satisfaction and brand management becomes easier through retail organizations. Corporate chain store like Old Navy and Franchises like McDonald's are good examples of retail organizations.

Every retailer needs to have a business or marketing strategy for success. Retailer needs to analyze its target market and customers for an in-store promotion and product assortment. Services form a big part of retailing business, so retailers have to finalize level of service. Services include pre-purchase, post purchase and supporting services.

### Top Players

1. **Pantaloon Retail**: It is headquartered in Mumbai with 450 stores across the country employing more than 18,000 people. It can boast of launching the first hypermarket Big Bazaar in India in 2001. An all-India retail space of 5 million sq. ft. which is expected to reach 30 mn by 2010. It is not only the largest retailer in India with a turnover of over ₹20 billion but is present across most retail segments - Food & grocery (Big bazaar, Food bazaar), Home solutions (Home town, furniture bazaar, collection), consumer electronics (e-zone), shoes (shoe factory), Books: music & gifts (Depot), Health & Beauty care services (Star, Sitara and Health village in the pipeline), e-tailing (Futurbazaar.com), entertainment (Bowling co.)

One of their recent innovations include e-commerce' hybrid format of 'small' shops, the area for these stores will be 150 sq. ft. fitted with 40 digital screens. Customers will be encouraged to browse through the entire range of products on digital screen. They will be able to place the order, the delivery of which will be arranged by the shop to their homes within a few hours

2. **K Raheja Group:** They forayed into retail with Shopper's Stop, India's first departmental store in 2001. It is the only retailer from India to become a member of the prestigious Intercontinental Group of Departmental Stores (IGDS). They have signed 50:50 joint ventures with the Nuance Group for Airport Retailing. Shoppers Stop has 7, 52, 00 sq ft of retail space with a turnover of ₹ 6.75 billion.

The first hyper city opened in Mumbai in 2006 with an area of 1, 20,000 sq. ft. clocking gross sales of ₹ 1 bn in its first year.

Crossword brand of book stores, Homes stop a store for home solutions, Mother care a concept stocking merchandise related to childcare are also owned by them. Recently, Raheja's have signed a MoU with the Home Retail Group of UK to enter into a franchise arrangement for the Argos formats of catalogue & internet retailing.

The group has announced plans to establish a network of 55 hypermarkets across India with sales expected to cross the US$100 million mark by 2010.

3. **Tata group**: Established in 1998, Trent - one of the subsidiaries of Tata Group - operates Westside, a lifestyle retail chain and Star India Bazaar - a hypermarket with a large assortment of products at the lowest prices. In 2005, it acquired Landmark, India's largest book and music retailer. Trent has more than 4 lakh sq. ft. space across the country. West side registered a turnover of₹ 3.58 mn in 2006.

Tata's has also formed a subsidiary named infinite retail which consists of Croma, a consumer electronics chain. It is a 15000-17000 sq. ft. format with 8 stores as of September 2007.

Another subsidiary, Titan Industries, owns brands like "Titan", the watch of India has 200 exclusive outlets the country and Tanishq, the jewellery brand, has 87 exclusive outlets. Their combined turnover is ₹ 6.55 billion.

Trent plans to open 27 more stores across its retail formats adding 1.5 mn sq ft of space in the next 12 DLF malls.

4. **RPG group:** One of the first entrants into organized food & grocery retail with Food world stores in 1996 and then formed an alliance with Dairy farm International and launched health & glow (pharmacy & beauty care) outlets. Now the alliance has dissolved and RPG has Spencer's Hyper, Super, Daily and Express formats and Music World stores across the country. RPG has 6 lakh sq. ft. of retail space and has registered a turnover of ₹ 4.5 billion in 2006.

It is planning to venture into books retail, with the launch of its own bookstores "Books and Beyond" by the end of 2007. An IPO is also in the offering, with expansion to 450+ Music World, 50+ Spencer's hyper outlets covering 4 million sq. ft. by 2010.

5. **Landmark group:** It was launched in 1998 in India. Lifestyle is spread across six cities, covering 4.6 lakh sq. ft. with a turnover of ₹ 3.5 billion in 2005. A new division named Lifestyle International has emerged for their international brands business comprising Bossino, Kappa and Springfield in their portfolio.

Their retail mix includes Home solutions (Home centre), fashion (lifestyle, landmark International), value retailing (max retail), hypermarkets & supermarkets (Max), kids entertainment (Funcity).

They plan to invest Rs. 300 crores in the next two years to expand on Max chain, and ₹ 100 crores on Citymax 3 star hotel chain. They have already instituted a separate company christened Citymax Hotels (India).

6. **Piramal Group:** In September 1999, Piramal Enterprises announced their arrival into retail with the launch of three retail concepts: India's first true shopping mall of international standards, called Crossroads; a lifestyle department store named Piramyd Megastore; and a family entertainment centre known as Jammin. Piramyd Megastore and Jammin were anchor tenants for Crossroads (recently sold to Pantaloon for ₹ 4 billion). In 2001, the group entered the business of food & grocery retail with the launch of TruMart supermarkets in Pune.

They have around 18 TruMart stores covering 1.90 lakh sq. ft. registering a turnover of ₹ 37.6 mn in 2005. Piraymd Megatsore's contributes more than 70 % to their retail mix with a turnover of ₹ 112.8 mn. They plan to open 150 stores covering 75 mn sq ft of retail space in the next 5 years.

7. **Bharti-Walmart:** Their plans include US$ 7 bn investment in creating retail network in the country including 100 hypermarkets and several hundred small stores. They have signed a 50:50 percent joint venture agreement with Wal-Mart. Wal-Mart will do the cash & carry while Bharti will do the front-end.
8. **Reliance:** India's most ambitious retail plans are by reliance, with investments to the tune of ₹ 30,000 cr ($ 6.67 bn) to set up multiple formats with expected sales of ₹90,000 crores ($20 bn) by 2009-10.

There are already more than 300 Reliance Fresh stores and the first Reliance Mart Hypermart has opened in Ahmedabad. The next ones are slated to open at Jamnagar, followed by marts in Delhi / NCR, Hyderabad, Vijaywada, Pune and Ludhiana.

9. **AV Birla Group:** They have a strong presence in apparel retailing through Madura garments which is subsidiary of Aditya Birla Nuvo Ltd. They own brands like Louis Phillipe, Van Heusen, Allen Solly, Peter England, Trouser town.

In other segments of retail, AV Birla Group has announced investment plans of ₹ 8000 - 9000 crores in the first 3 years till 2010.

The acquisition of Trinethra (food & grocery) chain in the south has moved their tally to 400 stores in the country. Their "More" range of 15 supermarkets are slated to open at Nashik, Pune and other tier II cities in Western India in 2007.

The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, especially over the last few years.

Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. With growing market demand, the industry is expected to grow at a pace of 25-30% annually. The India retail industry is expected to grow in a big way in the coming years.

In the Indian retailing industry, food is the most dominating sector and is growing at a rate of 9% annually. The branded food industry is trying to enter the India retail industry and convert Indian consumers to branded food. Since at present 60% of the Indian grocery basket consists of non- branded items.

## Growth of Indian Retail

It is expected that by 2016 modern retail industry in India will be worth US$ 175- 200 billion. India retail industry is one of the fastest growing industries with revenue expected in 2007 to amount US$ 320 billion and is increasing at a rate of 5% yearly.

A further increase of 7-8% is expected in the industry of retail in India by growth in consumerism in urban areas, rising incomes, and a steep rise in rural consumption. It has further been predicted that the retailing industry in India will amount to US$ 21.5 billion by 2010 from the current size of US$ 7.5 billion.

According to the 8th Annual Global Retail Development Index (GRDI) of AT Kearney, India retail industry is the most promising emerging market for investment. In 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country. In 2009, it rose to 12%. It is also expected to reach 22% by 2010.

According to a report by Northbride Capita, the India retail industry is expected to grow to US$ 700 billion by 2010. By the same time, the organized sector will be 20% of the total market share. It can be mentioned here that, the share of organized sector in 2007 was 7.5% of the total retail market.

## Service Marketing and Management

As consumers, we use services every day. Turning on a light, watching TV, talking on the telephone, riding a bus, visiting the dentist, mailing a letter, getting a haircut, refueling a car, writing a check, or sending clothes to the cleaners are all examples of service consumption at the individual level. The institution at which you are studying is itself a complex service organization. In addition to educational services, today's college facilities usually include libraries and cafeterias, counseling, a bookstore, placement offices, copy services, telecommunications, and even a bank. If you are enrolled at a residential university, campus services are also likely to include dormitories, health care, indoor and outdoor athletic facilities, a theater, and perhaps a post office. Customers are not always happy with the quality and value of the services they receive. People compl ain about late deliveries, rude or incompetent personnel, inconvenient service hours, poor performance, and needlessly complicated procedures. They grumble about the difficulty of finding sales clerks to help them in retail stores, express frustration about mistakes on their credit card bills or bank statements, shake their heads over the complexity of new self-service equipment, mutter about poor value, and sigh as they are forced to wait in line almost everywhere they go. Suppliers of services often seem to have a very different set of concerns than the consumer. Many suppliers complain about how difficult it is to make a profit, how hard it is to find skilled and motivated employees, or how difficult it has become top lease customers. Some firms seem to believe that the surest route to financial success lies in cutting costs and eliminating "unnecessary" frills. A few even give the impression that they could run a much more efficient operation if it weren't for all the stupid customers who keep making unreasonable demands and messing things up! Fortunately, in almost every industry there are service suppliers who know how to please their customers while also running a productive, profitable operation staffed by pleasant and competent employees.

## Brand Management

**Brand management** is the application of marketing techniques to a specific product, product line, or brand. The discipline of brand management was started at Procter & Gamble as a result of a famous memo.

According to the American Marketing Association a brand is "a name, term, design, symbol, or any other feature that identifies one seller`s good or service as distinct from those of other sellers. The legal term for brand is trademark. A brand may identify one item, a family of items, or all items of that seller." It is interesting to see how most of the brands in this table developed a strong brand identity by creating strategies and concepts for global or international branding and marketing activities. Globalization, the increase in consumer travel, international TV and internet media channels are just some of the reasons why consumers expect brands to provide the same values on a worldwide basis.

The development of international retailing and the movement of goods, people and organizations across national borders are becoming more integrated. Consumers are less tolerant when it comes to inconsistencies concerning the core identification of brands. As a result, companies need to pay greater attention to coordinating and integrating their marketing strategies across countries. One of the key elements of a company's marketing strategy is its branding policy. Strong brands help to establish the firm's identity in the market place, and develop a solid customer franchise (Aaker 1996, Keller 1998, Kapferer 1997) as well as providing a weapon to counter growing retailer power (Bar wise and Robertson 1992).

The most important task of branding in defining a firm`s identity in international markets means that it is crucial to develop an international brand architecture. This process includes identifying different levels of branding within the company, the number of brands at each level and their geographic and product market scope. The question related to this architecture is how brands that include different geographic markets can be managed. Some companies like Procter & Gamble or Pepsi have expanded by transferring their national brand power into international markets.

Other companies like Unilever are using country-orientated brand strategies, including a mix of national and international brands. This lens will discuss modern approaches of international branding as well as the difficulties of unification strategies. Main focus will be strategies to create stronger brand identities through the unification of marketing activities.

## International Brand Architecture: Development, Drivers and Design

Brands play a critical role in a firm's international expansion. A coherent international brand architecture is a key component of the firm's overall international marketing strategy as it provides a structure to leverage strong brands into other markets, assimilate acquired brands, and rationalize the firm's international branding strategy.

With the globalization of markets and the growth of competition on a global scale, companies are increasingly expanding the geographic scope of their operations, setting up or acquiring companies in other countries, or entering into alliances across national boundaries. At the same time, with the spread of global and regional media, the development of international retailing, and the movement of people, goods, and organizations across national borders, markets are becoming more integrated. As a result, firms need to pay greater attention to coordinating and integrating their marketing strategy across markets.

An important element of a firm's international marketing strategy is its branding policy. Strong brands help to establish the firm's identity in the market place, and develop a solid customer franchise (Aaker 1996, Keller 1998, Kapferer 1997) as well as providing a weapon to counter growing retailer power (Barwise and Robertson 1992). They can also provide the basis for brand extensions, which further strengthen the firm's position and enhance value (Aaker and Keller 1990). In international markets, an important issue for the firm is whether to use the same brand name in different countries, leveraging brand strength across boundaries, or whether to maintain local brands responding to local customer preferences. A related issue is what level of branding to emphasize, i.e. corporate/house or product-level brands or some combination of both.

The central role of branding in defining the firm's identity and its position in international markets means that it is critical to develop an explicit international brand architecture. This implies identifying the different levels of branding within the firm, the number of brands at each level as well as their geographic and product market scope. The most critical element in this structure is the number of levels, i.e. corporate, house/product business and product and how these are used in conjunction with each other. Related to the development of this architecture, is the question of how to manage brands that span different geographic markets and product lines. Who should have custody of international brands, and be responsible for coordinating their positioning in different national or regional markets, as well as making decisions about use of a given brand name on other products or services?

The significance of the various issues depends to a substantial degree on how a firm has expanded internationally, and how its international operations are organized. Some firms, such as P&G and Coca-Cola, have expanded through leveraging their domestic "power" brands in international markets. Consequently, as they seek to expand further, they have to consider whether to develop brands geared to specific regional or national preferences. Others such as Nestlé and Unilever have traditionally adopted country-centered strategies, building or acquiring a mix of national and international brands. Such companies have to decide how far to move towards greater harmonization of brands and integration of their brand architecture across countries, and if so, how to do so. These issues are particularly critical in European markets where product market structures-traditionally centered on countries, are now becoming more interlinked (Caller 1996). This creates pressures for firms to integrate their brand strategies across markets within the EU.

### Development of International Branding Structures

A field study of consumer goods companies based in Europe was conducted to gain some insights into international brand structures, how these were evolving and the underlying drivers of brand structure. Of particular interest was whether or not the firm had an explicit international brand architecture and if so, how this was managed. The study was based on semi-structured interviews conducted with senior executives at the product division level in companies, as well as executives in advertising agencies, market research companies, and consulting companies who were responsible for international brands and branding strategies.

Consistent with the findings of Laforet and Saunders, the study revealed three major patterns of brand architecture: corporate-dominant, product-dominant and hybrid or mixed structures. There was, however, considerable variation even within a given type of structure depending to a large extent on the firm's administrative heritage and international expansion strategy as well as the degree of commonality among product lines or product businesses. In addition, these structures were continually evolving in response to the changing configuration of markets or as a result of the firm's expansion strategy in international markets.

Corporate-dominant architecture tended to be most common among firms with a relatively limited range of products or product divisions, or with a clearly defined target market, e.g. Shell, Kelloggs, Nike, Benneton, etc. Product dominant architecture, on the other hand, was typically found among firms such as Akzo Nobel with multiple national or local brands, or firms such as P&G or Mars that had expanded internationally by leveraging "power" brands. The most common were hybrid or mixed structures, consisting of a mix of global corporate, regional and national product-level brands, or corporate endorsement of product brands or different structures for different product divisions.

Both corporate and product dominant structures were evolving towards hybrid structures. Firms with corporate dominant structures were adding brands at other levels, for example, the house or product level, to differentiate between different product divisions. Product-dominant structures, on the other hand, especially where these emphasized multiple local (national) brands were moving toward greater integration or co-ordination across markets through corporate endorsement of local products.

These companies also varied in the extent to which they had clearly articulated international brand architecture to guide this evolution. Some, for example, laid out the different levels at which brands were to be used, the interrelation between brands at different levels, the geographic scope of each brand and the product lines on which a brand was to be used, while others had few or no guidelines concerning international branding.

### Corporate Dominant Branding

A few of the companies studied had a very simple brand structure based on the corporate name, as for example, Shell, Philips, Apple, Nike, etc. In general, these were business-to-business organizations with a heavy emphasis on corporate branding, or a relatively narrow and coherent product line. Other cases included consumer goods companies focused on a global target segment such as Nike or Benetton. Their prime objective was to establish a strong global identity for the brand rather than respond to local market conditions. In some instances, the corporate logo and visual identification (Apple and Nike) played a major role in identifying the brand and defining brand image worldwide.

### Product-Dominant Branding

Other companies as, for example, P&G, or Best Foods used a product dominant strategy. This strategy was common among U.S. firms who had expanded internationally by leveraging "power" brands, as, for example, P&G with brands such as Camay, or Pampers. Firms with domestic product dominant structures that had expanded by acquiring national companies often acquired a substantial number of national and local product brands, in addition to their own global and regional product brands. Best Foods, for example, has several international product brands such as Hellmans, Knorr, etc., as well as national product brands such as Pfanni potatoes.

A few international companies, though this seemed to be rare, had structures consisting almost exclusively of national product brands. Often these were well-established traditional brand names known for their quality and reliability. For example, Akzo Nobel owns brands such as Diamond Salt in the US and Sikkens' paint brand in Europe. Products were tailored to local preferences and product innovation was relatively low. Since customer preferences were highly localized with few links across national boundaries, management saw few potential synergies from harmonizing brands across borders.

### Hybrid Branding Strategies

A number of companies had hybrid brand structures with a combination of corporate and product brands. Coca-Cola, for example uses the Coca-Cola name on its cola brand worldwide, with product variants such as Cherry Coke, Coke Lite or Diet Coke or caffeine free Coke in some, but not all countries. In addition, Coca-Cola has a number of local or regional soft drink brands, such as Lilt in various fruit flavors in the U.K., TabXtra, a sugar-free cola drink in Scandinavia, and Cappy, a fruit drink in East Europe and Turkey.

In other cases, companies used the corporate name for some product businesses, but not on others. Mars, for example, used the Mars name on its ice-cream, soft drink and confectionery lines, but used the Pedigree house brand for pet food. This was intended to create separate and distinct images for the confectionery and pet food businesses.

Similarly, Danone used the Dannon/Danone name on yogurt worldwide, on bottled water in the US and on cookies in Eastern Europe. Danone also owns the Lu and Jacob brands which are used on biscuits in Europe and the US, and three other bottled water brands, Evian, sold worldwide, Volvic and Badoit only sold in France, as well as Kronenbourg and Kanterbrau beers, and Vivagel and Marie frozen foods in Europe.

Other companies had different brand architecture for different product divisions. For example, Unilever has global brand architecture in its personal products division. The yellow fats division consists mostly of local brands with some harmonization in positioning or brand name across countries, while the ice-cream division had a combination of local and global product brands such as Magnum, Cornetto and Solero. These are endorsed by a country or regional house brands such as Walls and Algida, and all shared a common logo worldwide.

**The internationalization of retailing** has further facilitated and stimulated the development of international manufacturer brands. As retailers move across international borders they provide an effective channel for international brands, but at the same time, their power increases. Consequently, manufacturers need to develop strong brands with high market share in multiple countries in order to obtain adequate retail space for these brands and minimize slotting allowances (Barwise and Robertson 1992). Strong international brands can also be extended to provide manufacturers with an effective negotiating tool and to ensure the placement of new products.

**Consumer mobility:** A final factor underlying the power of international brands is increased consumer mobility. While global media provide passive exposure to brands, increasing international travel and movement of customers across national boundaries provides active exposure to brands in different countries (Alden, Steenkamp and Batra 1999).

Awareness of the availability and high visibility of an international brand in multiple countries enhances its value to consumers, and provides reassurance of its strength and reliability. Increased exposure to and familiarity with new and diverse products, and the life-styles and cultures in which they are embedded also generates greater receptivity to products of foreign origin or those perceived as "international" rather than domestic (Featherstone 1990). All these factors help to create a climate more favorable to international brands.

In brief, brand architecture is continually evolving both in terms of structure and scope.

## Strategic Pricing

Strategic Pricing clarifies the relationship between market segmentation and price, and delivers the tools organization needs to stay focused on value as they determine break-even, define price elasticity, and analyze tradeoffs between features and price points. Using strategic pricing tools yields a better positioning approach.

Pricing strategies for products or services encompass three main ways to improve profits. These are that the business owner can cut costs or sell more, or find more profit with a better pricing strategy. In the downturn of 2008-11, and since, when costs are likely already at their lowest and sales are hard to find, adopting a better pricing strategy is a key option to stay viable.

Merely raising prices is not always the answer, especially in a poor economy. Too many businesses have been lost because they priced themselves out of the marketplace. On the other hand, too many business and sales staff leave «money on the table». One strategy does not fit all, so adopting a pricing strategy is a learning curve when studying the needs and behaviors of customers and clients.

## Models of pricing

### Cost-Plus Pricing

Cost-plus pricing is the simplest pricing method. The firm calculates the cost of producing the product and adds on a percentage (profit) to that price to give the selling price. This method although simple has two flaws; it takes no account of demand and there is no way of determining if potential customers will purchase the product at the calculated price.

This appears in two forms, Full cost pricing which takes into consideration both variable and fixed costs and adds a % markup. The other is Direct cost pricing which is variable costs plus a % markup, the latter is only used in periods of high competition as this method usually leads to a loss in the long run.

**Creaming or Skimming**

In market skimming, goods are sold at higher prices so that fewer sales are needed to break even. Selling a product at a high price, sacrificing high sales to gain a high profit is therefore “skimming” the market. Skimming is usually employed to reimburse the cost of investment of the original research into the product: commonly used in electronic markets when a new range, such as DVD players, are firstly dispatched into the market at a high price.

This strategy is often used to target “early adopters” of a product or service. These early adopters are relatively less price-sensitive because either their need for the product is more than the need to economise, they understand the value of the product better than others or simply because they are too rich to be affected by the high prices.

This strategy is employed only for a limited duration to recover most of investment made to build the product. To gain further market share, a seller must use other pricing tactics such as economy or penetration. This method can have some setbacks as it could leave the product at a high price against the competition.

**Limit Pricing**

A limit price is the price set by a monopolist to discourage economic entry into a market, and is illegal in many countries. The limit price is the price that the entrant would face upon entering as long as the incumbent firm did not decrease output. The limit price is often lower than the average cost of production or just low enough to make entering not profitable. The quantity produced by the incumbent firm to act as a deterrent to entry is usually larger than would be optimal for a monopolist, but might still produce higher economic profits than would be earned under perfect competition.

The problem with limit pricing as a strategy is that once the entrant has entered the market, the quantity used as a threat to deter entry is no longer the incumbent firm's best response. This means that for limit pricing to be an effective deterrent to entry, the threat must in some way be made credible. A way to achieve this is for the incumbent firm to constrain itself to produce a certain quantity whether entry occurs or not. An example of this would be if the firm signed a union contract to employ a certain (high) level of labor for a long period of time.

**Loss Leader**

A loss leader or leader is a product sold at a low price (ie at cost or below cost) to stimulate other profitable sales.

**Market-Oriented Pricing**

Setting a price based upon analysis and research compiled from the target market. This means that marketers will set prices depending on the results from the research. For instance if the competitors are pricing their products at a lower price, then it's up to them to either price their goods at an above price or below, depending on what the company wants to achieve.

**Penetration Pricing**

Setting the price low in order to attract customers and gain market share. The price will be raised later once this market share is gained.

**Price Discrimination**

Setting a different price for the same product is in different segments to the market. For example, this can be for different ages, such as classes, or for different opening times.

**Premium Pricing**

Premium pricing is the practice of keeping the price of a product or service artificially high in order to encourage favorable perceptions among buyers, based solely on the price. The practice is intended to exploit the (not necessarily justifiable) tendency for buyers to assume that expensive items enjoy an exceptional reputation, are more reliable or desirable, or represent exceptional quality and distinction.

**Predatory Pricing**

Aggressive pricing (also known as "undercutting") intended to drive out competitors from a market. It is illegal in some countries.

**Contribution Margin-Based Pricing**

Contribution margin-based pricing maximizes the profit derived from an individual product, based on the difference between the product's price and variable costs (the product's contribution margin per unit), and on one's assumptions regarding the relationship between the product's price and the number of units that can be sold at that price. The product's contribution to total firm profit (i.e. to operating income) is maximized when a price is chosen that maximizes the following: (contribution margin per unit)X (number of units sold)..

**Psychological Pricing**

Pricing designed to have a positive psychological impact. For example selling a product is at $3.95 or $3.99, rather than $4.00.

**Dynamic Pricing**

A flexible pricing mechanism made possible by advances in information technology, and employed mostly by Internet based companies. By responding to market fluctuations or large amounts of data gathered from customers - ranging from where they live to what they buy to how much they have spent on past purchases - dynamic pricing allows online companies to adjust the prices of identical goods to correspond to a customer's willingness to pay. The airline industry is often cited as a dynamic pricing success story. In fact, it employs the technique so artfully that most of the passengers on any given airplane have paid different ticket prices for the same flight.

**Price Leadership**

An observation made of oligopolistic business behavior in which one company, usually the dominant competitor among several, leads the way in determining prices, the others soon following. The context is a state of limited competition, in which a market is shared by a small number of producers or sellers.

**Target Pricing**

Pricing method whereby the selling price of a product is calculated to produce a particular rate of return on investment for a specific volume of production. The target pricing method is used most often by public utilities, like electric and gas companies, and companies whose capital investment is high, like automobile manufacturers.

Target pricing is not useful for companies whose capital investment is low because, according to this formula, the selling price will be understated. Also the target pricing method is not keyed to the demand for the product, and if the entire volume is not sold, a company might sustain an overall budgetary loss on the product.

**Absorption Pricing**

Method of pricing is in which all costs are recovered. The price of the product includes the variable cost of each item plus a proportionate amount of the fixed costs and is a form of cost-plus pricing

**High-Low Pricing**

Method of pricing for an organization where the goods or services offered by the organization are regularly priced higher than competitors, but through promotions, advertisements, and or coupons, lower prices are offered on key items. The lower promotional prices are designed to bring customers to the organization where the customer is offered the promotional product as well as the regular higher priced products.

**Premium Decoy Pricing**

Method of pricing where an organization artificially sets one product price high, in order to boost sales of a lower priced product.

**Marginal-Cost Pricing**

In business, the practice of setting the price of a product is to equal to the extra cost of producing an extra unit of output. By this policy, a producer charges, for each product unit sold, only the addition to total cost resulting from materials and direct labor. Businesses often set prices close to marginal cost during periods of poor sales. If, for example, an item has a marginal cost of $1.00 and a normal selling price is $2.00, the firm selling the item might wish to lower the price to $1.10 if demand has waned. The business would choose this approach because the incremental profit of 10 cents from the transaction is better than no sale at all.

**Value-Based Pricing**

Pricing a product based on the perceived value and not on any other factor. Pricing based on the demand for a specific product would have a likely change in the market place.

**Pay what you want**

Pay what you want is a pricing system where buyers pay any desired amount for a given commodity, sometimes including zero. In some cases, a minimum (floor) price may be set, and/or a suggested price may be indicated as guidance for the buyer. The buyer can also select an amount higher than the standard price for the commodity.

Giving buyers the freedom to pay what they want may seem to not make much sense for a seller, but in some situations it can be very successful. While most uses of pay what you want have been at the margins of the economy, or for special promotions, there are emerging efforts to expand its utility to broader and more regular use.

**Odd Pricing**

In this type of pricing, the seller tends to fix a price whose last most digits are odd numbers. This is done so as to give the buyers/consumers no gap for bargaining as the prices seem to be less and yet in an actual sense are too high. A good example of this can be noticed in telephone promotions of some countries like Uganda where instead of writing the price as sh. 40000, they write it as sh. 39999. This pricing policy is common in economies using the free market policy.

Pricing is one of the 4 Ps of marketing and the most basic tactic, having been around for hundreds if not thousands of years. It is the most direct way of communicating value to customers and has the most direct impact on bottom-line performance.

At the same time, price as a marketing instrument is difficult to leverage effectively because it involves integrating decision-making vertically and horizontally within the organization. Apart from the bottom line, it can also impact brand perception: Too low a price may cause the brand to be perceived as a commodity, whereas too high a price runs risk of being priced out of the market.

Pricing has multiple levels of implementation. At the highest level is strategic pricing, which takes into account long-term profit objectives of the organization at brand or franchise level. The next layer is tactical pricing, which optimizes price to take into account short-term market dynamics, including demand shifts and competitive effects. The lowest layer is execution level, where SKU-level dynamics and inventory and supply management come into play.

If too much focus is placed on strategic pricing, short-term opportunities occurring due to competitive actions may be missed or aggressive campaigns may go unchallenged, leading to expensive market share loss, which may not easily be regained. On the other hand, a myopic focus on tactical pricing will miss the big picture, causing long-term loss of profitability.

Pricing optimization is the process by which revenue is optimized by maximizing buyers for minimum reduction in price, or maximizing price for a minimal loss of buyers. This is a tricky tradeoff, as under pricing directly impacts the bottom line and over-pricing indirectly impacts market share.

Pricing relies on tried and tested concepts from economics, like demand-supply equilibrium and utility functions. Pricing has greater leverage for products or brands with higher price elasticity, since small changes in pricing can result in substantial changes in revenue (Price elasticity is the percentage change in demand/revenues for a percentage change in price).

The effectiveness of pricing as marketing lever is also affected by competitive pricing activities, especially for brands and products with high cross-elasticity. Cross-elasticity is the percentage change in the demand for a product for a percentage change in the price of a competing product.

Pricing effectiveness is also affected by other marketing tactics, like promotions and advertising. If there are substantial changes over time in these tactics, the true impact of pricing strategies may be confounded with the results of those tactics. Pricing can then be correctly measured by controlling for these different drivers of demand, which is typically done through a market-response or marketing-mix model.

Tactical price optimization can be carried out with output from simple regression models that ignores the simultaneous competitive reaction for pricing changes, because in the short term the impact of these changes may be very subtle. But in models that simulate scenarios of strategic, longer-term price changes, not including the simultaneous relationship between brand and competitive pricing will lead to potentially spurious results, because the sales change from brand-level pricing change may partially be offset by competitive reactionary pricing.

Pricing has several business objectives, which can become the primary pricing strategy or may form a portfolio of pricing strategies that can be alternated to meet different market conditions:

- **Profit maximization:** This is pricing for maximum profit and can be pursued if the product is sufficiently differentiated in the market.

- **Target ROI- or ROA-based pricing**: Here price is simply Cost of Goods Sold + [target return times total investment or total assets].

- **Market-share growth:** For well-capitalized firms, a short-term offensive strategy may involve lowering price to almost break-even levels to increase market share. In addition to greater market share, which can be later leveraged to increase prices, this strategy also helps in increasing margins by lowering costs from the economies of scale achieved through higher volume.

- The matrix, which is an adaptation from the well-known BCG Matrix, shows pricing and market-share for four hypothetical brands:

- Brand A has a low price and low market share; it is a small player that will eventually either buckle under the pressure of the large volume players or get acquired.

- Brand B is the high-end market leader that enjoys a price premium—an enviable position to be in. This is not usually a sustainable position unless the player has a considerable competitive advantage that acts as a barrier to entry for other players.

- Brand C is the niche market player that enjoys a price premium, usually for the high-end segment of the market, a profitable but risky strategy due to a lack of diversification.

- Brand D is the high-volume price discount player (Wal-Mart, for example); it maintains its market position by keeping very low margins and making profits on volume.

This is just one of the ways in which pricing strategies can be related to sales growth. These broader strategies are further segmented into more sophisticated techniques like Hi-Lo retail pricing (alternatively pricing some items high in some weeks and low in other weeks to give an overall impression of being a low-price retailer).

Every Day Low Price (EDLP) is another popular strategy (a strategy of consistently offering a low price, but not the lowest). Other broader strategies are «skim pricing» (high price margins in an innovative or low-competition market) and «penetration pricing» (low price margins for the purpose of building initial market share)

### Advertising and Sales Promotion

Sales promotion is one of the seven aspects of the promotional mix. (The other six parts of the promotional mix are advertising, personal selling, direct marketing, publicity/public relations, corporate image and exhibitions.) Media and non-media marketing communication are employed for a pre-determined, limited time to increase consumer demand, stimulate market demand or improve product availability. Examples include contests, coupons, freebies, and loss leaders, point of purchase displays, premiums, prizes, product samples, and rebates

Sales promotions can be directed at the customer, sales staff, or distribution channel members (such as retailers). Sales promotions targeted at the consumer are called consumer sales promotions. Sales promotions targeted at retailers and wholesale are called trade sales promotions. Some sale promotions, particularly ones with unusual methods, are considered gimmicks by many.

Sales promotion includes several communications activities that attempt to provide added value or incentives to consumers, wholesalers, retailers, or other organizational customers to stimulate immediate sales. These efforts can attempt to stimulate product interest, trial, or purchase. Examples of devices used in sales promotion include coupons, samples, premiums, point-of-purchase (POP) displays, contests, rebates, and sweepstakes.

### Consumer sales promotion techniques

**Price deal:** A temporary reduction in the price, such as 50% off.

**Loyal Reward Program:** Consumers collect points, miles, or credits for purchases and redeem them for rewards.

**Cents-off deal:** Offers a brand at a lower price. Price reduction may be a percentage marked on the package.

**Price-pack deal:** The packaging offers a consumer a certain percentage more of the product for the same price (for example, 25 percent extra).

**Coupons:** coupons have become a standard mechanism for sales promotions.

**Loss leader:** the price of a popular product is temporarily reduced in order to stimulate other profitable sales

**Free-standing insert (FSI):** A coupon booklet is inserted into the local newspaper for delivery.

**On-shelf couponing:** Coupons are present at the shelf where the product is available.

**Checkout dispensers:** On checkout the customer is given a coupon based on products purchased.

**On-line couponing:** Coupons are available online. Consumers print them out and take them to the store.

**Mobile couponing:** Coupons are available on a mobile phone. Consumers show the offer on a mobile phone to a salesperson for redemption.

**Online interactive promotion game:** Consumers play an interactive game associated with the promoted product.

**Rebates:** Consumers are offered money back if the receipt and barcode are mailed to the producer.

**Contests/sweepstakes/games:** The consumer is automatically entered into the event by purchasing the product.

**Point-of-sale displays:-**

**Aisle interrupter:** A sign that juts into the aisle from the shelf.

**Dangler:** A sign that sways when a consumer walks by it.

Dump bin: A bin full of products dumped inside.

**Glorifier:** A small stage that elevates a product above other products.

**Wobbler:** A sign that jiggles.

**Lipstick Board:** A board on which messages are written in crayon.

**Necker:** A coupon placed on the 'neck' of a bottle.

**YES unit:** "your extra salesperson" is a pull-out fact sheet.

**Electroluminescent:** Solar-powered, animated light in motion.

**Kids eat free specials:** Offers a discount on the total dining bill by offering 1 free kids meal with each regular meal purchased.

**Trade sales promotion techniques**

**Trade allowances:** short term incentive offered to induce a retailer to stock up on a product.

**Dealer loader:** An incentive given to induce a retailer to purchase and display a product.

**Trade contest:** A contest to reward retailers that sell the most product.

**Point-of-purchase displays:** Used to create the urge of "impulse" buying and selling your product on the spot.

**Training programs:** dealer employees are trained in selling the product.

**Push money:** also known as "spliffs". An extra commission paid to retail employees to push products.

**Trade discounts (also called functional discounts):** These are payments to distribution channel members for performing some function.

## Retail Mechanics

Retailers have a stock number of retail 'mechanics' that they regularly roll out or rotate for new marketing initiatives.

Buy x get y free a.k.a. BOGOF for Buy One Get One Free, Three for two

Buy a quantity for a lower price

## Political issues

Sales promotions have traditionally been heavily regulated in many advanced industrial nations, with the notable exception of the United States. For example, the United Kingdom formerly operated under a resale price maintenance regime in which manufacturers could legally dictate the minimum resale price for virtually all goods; this practice was abolished in 1964.

It helps the manufacturer sell their products. The relation between wholesalers and retailers is improved through advertising. Sales promotion consists of diverse collection of incentive tools, mostly short-term designed to Sales promotion tools vary in their specific objectives. A free sample, Stimulates consumer trial, while a free management advisory service comments a long-term relationship with a retailer stimulates quicker and / or greater purchase of a particular product by consumers or the trade. Rationale of sales promotion may be analyses for Short-term results, Competitive Pressure, Buyers' expectations, Low quality of retail selling. There is wide acceptance that sales promotion is one of the most mismanaged of all marketing functions. The report contained advantages, purpose of advertising and sales promotion. It also discussed rationale, plan preparation, integrating and planning advertising and sales promotion

## Advertising

Adverting is only one element of the promotion mix, but it often considered prominent in the overall marketing mix design. Its high visibility and pervasiveness made it as an important social and encomia topic in Indian society. Promotion may be defined as "the co-ordination of all seller initiated efforts to set up channels of information and persuasion to facilitate the scale of a good or service.

Promotion is most often intended to be a supporting component in a marketing mix. Promotion decision must be integrated and co-ordinate with the rest of the marketing mix, particularly product/brand decisions, so that it may effectively support an entire marketing mix strategy. The promotion mix consists of four basic elements. They are:

1. **Advertising** is the dissemination of information by non-personal means through paid media where the source is the sponsoring organization.
2. **Personal selling** is the dissemination of information by non-personal methods, like face-to-face, contacts between audience and employees of the
3. S**ales promotion** is the dissemination of information through a wide variety of activities other than personal selling, advertising

and publicity which stimulate consumer purchasing and dealer effectiveness.

4. **Publicity** is the disseminating of information by personal or non-personal means and is not directly paid by the organization and the organization is not the source.

## Integrating Advertising and Promotions

The answer to the problem of conflicting communications must be to Integrate advertising and Promotion. There are two common sense reasons for integration.

The First reason is that integration creates synergy. This is a much – Abused word, but the evidence shows clearly that advertising and promotion can work together to produce a greater effect.

## Self Assessment Questions

1. Give the Meaning and Definitions of the following:
   a) Marketing Management
   b) Strategic Management
   c) Retail Management
   d) Retail Customers
2. State the Role and Relevance of Retailing. Discuss the current Trends in global retailing
3. Give the Meaning and Definitions of the following:
   a) Market Segmentation
   b) Franchising
   c) Social Marketing
   d) Relationship Marketing
4. Examine the role of Retailing in Banking and Other Financial Services, Mutual Funds and Insurance
5. Explain different financial services.
6. What is strategic management of social marketing? Discuss in detail.

7. Write a note of retailing in India? Discuss about the current trends in Indian retailing industry.
8. Explain the various techniques adopted for services marketing.
9. What is brand management? Explain.
10. Write a note on international strategic pricing.

## CASE STUDY

### Margin Free Market Private Ltd.

Subhiksha in Chennai, Margin free in Kerala, Bombay Bazaar in Mumbai, RPG'S Giant in Hyderabad, and Big Bazaar in Kolkata, Hyderabad, and Bangalore have one thing in common - they all price their products below MRP. Discount stores are slowly arriving in India and industry insiders feel they will spearhead a revolution in organized retailing. On the list of top retailers in the world, quite a few are discounters. Around 60% of the business abroad comes from this format. Incidentally, the largest retailer in the world, Wal-Mart, is a discount store.

Margin Free was registered as a co-operative society in 1993 in Kerala and entered the supermarket business in 1994. It is run by the Consumer Protection and Guidance Society, a charitable organization based in Thiruvananthapuram. Today, it has emerged as India's number one supermarket chain with 150 stores and a turnover of ₹ 450 crores. Margin Free purchases directly from manufacturers at ex-factory price and sells at lower prices than the MRP, as it eliminates the margin accrued in the traditional manufacturer-stockiest-wholesaler-retailer network.

Margin Free takes extreme care while pricing the products through its entire stores. It has employed software which evaluates the price by minimizing profits. Every store is computerized and utilizes the software to determine the pricing. This helps in ensuring that the products are rationally priced.

Margin Free has found exceptional success in its scalable franchised model. It is now looking to upgrade to a central warehouse concept, which will help it to manage growth further. The success of Subhiksha and Margin Free indicate that the discount war will hot up in the coming months but it will be the customer who will emerge as the final winner.

Margin Free also gets an average credit of 20-22 days from suppliers, which it sells, on an average in 10 days, thereby even earning a notional interest on its sales also. Its strategy has made it flush with funds, which can finance further expansion. Margin Free uses its customer base as a bargaining power to strike discount deals. Any dealer who wants to set up a Margin Free store has to buy at least rupees one lakh worth of share of the main Margin Free holding company. Margin Free has a consumer base of 6 lakhs and it sells them consumer cards at ₹ 40 per year Customers who buy using this card get discounts on bulk purchases and also on government subsidized products like ₹ 2 per kg rice.

The stores are now opting for a major expansion drive. A key part of this is the introduction of private labeling, which is the season's flavor in the retailing industry. For the purpose they have shortlisted 15 items - all generic labels like rice, sugar, etc. - and will add to the list in future.

Hence, they will be in a better position to provide quality stuff at considerably low prices within easy reach of an average middle-class family. For example, a packet of tea which sells for an MRP of ₹ 120 at one of the corporate retailers will be available for ₹ 90 at the Margin Free stores.

The chain is now planning to open huge Margin Free hyper markets, the first such hyper market, featuring an array of wares and spread over 50,000 square feet of well-laid out space, is planned to open at Ernakulum. The two other hyper markets would be opened in Thiruvananthapuram and Kozhikode.

If the success of retail activity is measured in the number of outlets, the existing 240-odd chain of franchisees must have already made Margin Free the largest 'pure retail chain' (as distinct from retailers who are manufacturers) in the private sector Even going by the number of footfalls, the Kerala-based retailer must have already beaten competition by a handsome margin.

The hyper markets will feature almost all conceivable retailing products under one roof - textiles, leather, cosmetics, provisions, electronic goods, consumer durables, grains; and grocery. As for ambience and class, they are most likely to resemble the Giant retailing chain operating out of Hyderabad and other cities.

The hyper market would not dabble in imported items - Chinese or otherwise - that are flooding the retail market right now. The cooperative society is in the process of mobilizing resources for the hyper market initiative. It plans to rope in outside investments over and above what the Consumer Protection and Guidance Society hopes to rise on its own.

The Society chose Ernakulum first because it happens to be the most commercialized city in the state. Also, the comparable purchasing capacities are higher there. The nomenclature for the hyper market has a Margin Free prefix to it, seeking to build on the enormous trust that the discount chain has been able to build over a span of eight years of existence.

The management feels that the Margin Free retail chain has been able to earn the wholesale trust of consumers in a very short span. However, in its journey to success, the Margin Free stores have made life slightly uncomfortable for entrenched interests who have, on one hand, been fleecing consumers and on the other, resorting to indiscriminate under invoicing to avoid tax. The latter, leads to loss of crores of rupees in realizable revenue for the state government.

Every month, Margin Free is opening up to 12 stores and the number has grown to 241 at last count. The chain has spread to literally all parts of Kerala. It has seven franchisees in neighboring Tamil Nadu already and two in Karnataka. The overall turnover has grown to ₹ 600 crore.

**Questions**

1. What has been the role of pricing strategy in the success of Margin Free Markets?
2. What are the salient features of Margin Free Market pricing strategy?

3. Analyze the external and internal factors that have made it possible to sustain the present pricing strategy of Margin Free Market.
4. Discuss the limitations of the existing pricing strategy of Margin Free Market. Suggest appropriate changes.

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# UNIT - II

## Unit Structure



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## Lesson 2.1 - Operations in Retailing

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### Learning Objectives

- Explain the concept of operations in retailing business
- Learn about retail location strategy
- Understand Product And Merchandise Management

### Introduction

Retail operations concerns the work that individuals do to keep a retail store functioning. This includes both retail salespeople and managers in all types of retail stores, including small stores with only a handful of workers and large chain stores with hundreds of employees. Strong communication skills and the ability to handle difficult customers are pre requisites to work in a retail store.

### Retailing Business – Basic Operation & Retail Stocks

Retailing is simply buying in large quantities and reselling them in smaller quantities. A retail industry analysis shows how retailing provides an exciting lifestyle for millions of individuals. Retailers provide stuff that people need every day. They make money by selling goods and services at a price that covers expenses and profit. Thousands of new enterprises are launched each year. As one of the fastest-growing economic segments, the retailing sector provides excellent employment opportunities, as well. Retailers run either a store or other types of enterprises like e-commerce, mail order, automatic merchandising or vending machine, and direct retailing (door-to-door or home party sales), among others.

### Retail Business Plan

When starting a retailing business, writing a retail business plan should be the first thing to do. A retailing plan may be written using special software, but it should be kept simple and comprehensible. It contains six essential parts – an executive summary, business analysis, marketing strategy, description of products or services, management plan, and financial plan. A business plan ought to be comprehensive, formal, and most importantly, sound so that investors or lenders will be convinced to fund the business. An executive summary provides a synopsis of the entire plan and highlights key points. A business analysis describes the nature of the business and includes the structure, legal name, location, goods, services, customers, and competition, among other things. The marketing strategy section explains how the business will penetrate the target market. The products and services section offers a description of the goods or services offered and how they are offered, vendor information, and plans for the future growth of product lines. A management plan shows that the business has adequate human resources. It provides information on the key management personnel, store staffing, compensation and benefits, as well as employment policies.

### Retail Operations Management

Finally, the financial plan shows the company's revenue and profitability model. Here, the start-up capital, business needs, and projected financial figures are assessed. The plan will help you decide whether to pursue retailing or not, and guide you in running the business. The entrepreneur or owner of the retailing business normally heads the retail operations management department. This department heads in making decisions crucial to the survival of the business. At the onset of the business, there is only one person making decisions. However, day to day operations of the business can become complex, especially when it undergoes expansion, thus, requiring additional personnel. Managing a retailing business is getting complex. Retailers are into mergers and acquisitions. Managers are constantly struggling to stave off adverse effects brought on by rising costs, aggressive competition, and lack of consumer loyalty. This complexity is apparent at the store front as consumers jump from one retailer to another hoping to get the best deals. To a large extent, the use of technology solutions specifically designed for the retailing industry helps in the management of a retailing business amid the ever changing environment. Retailing can be a very rewarding venture, especially if you are personally involved in nurturing and growing the business.

## Retail Location Strategy

During the many years that I have talked with retail startups on their struggle to find the best retail locations a number of issues always came up when choosing the best retail locations for their retail stores...

Who is our customer? Where do they shop? Where do they live and how long will they travel to shop?

I would like to share these 5 retail location strategy tips and maybe help you in your struggles to choose the best retail locations:

1. Select the 5 most important criteria that define your retail customer such as: Age group, gender, earnings, family composition and level of education etc...
2. Give these criteria points – between 0 and 10 and add weightages to these individual criteria
3. Set up an arrangement between you and an organization that has the ability to deliver demographic data that relate to the 5 criteria you have selected.
4. Filter, when you have picked a city and or area, these 5 criteria over the data of that city and area. This will give a good impression where your customers live, travel and work.
5. After selection and filtering go to the area and look and feel if the area matches your stores and concepts expectations in real life ….Check the competition and observe.

**Retail Locations Software Tool**

Retail is Detail, has developed, together with its associated company Retail Minds, a computer, web based program that allows you to take these steps efficiently and where required for the international markets. It focuses your thinking on the true retail locations to look at, not those retail locations that have been put forward by "biased" developers or realtors! It allows you to be ahead of the market not to be one of the packs...

Nationwide, the retail sector enjoyed robust growth during the first half of the decade, due in great part to the continued expansion of big boxes. The excitement, however, is dying down, as several category-killer retailers experience slowing sales. The once-zealous players are becoming more cautious, and once again the rules of the game are changing for developers and commercial brokers.

**New Development Drivers**

Traditionally, retail centers have been defined as regional, community, or neighborhood, with standard tenants for each of these categories. Recently, though, the lines have blurred, as discount department stores anchor regional malls and traditional mall tenants move in-line at strip centers or into freestanding locations.

The three familiar categories have now polarized into either regional or neighborhood locations. Lackluster performance has caused the retreat or merger of a number of retail chains, both large and small. The theater and entertainment group, once shunned by many developers and anchor retailers, is fast becoming the darling of the industry. And in the wake of continuing retail bankruptcies and mergers, capital markets are taking a closer look at new development. In fact, many financial institutions have reallocated funds for property types, dropping retail from the most-favored status.

With fewer dollars focused on this overbuilt market-and cautious tenants becoming more selective in choosing new locations-developers and retailers must be more creative. As a result, new deals will rely less on the credit of the tenant and more on the developer's use and positioning of a site as it relates to the market.

## Location, Location, Location

What does all of this mean if you have a site looking for a use or a use looking for a site? Throw out those preconceived ideas about location, as the old adage is in a state of evolution. Market, market, market is a more-appropriate concept for the future as retailers and developers alike ask not "Is this a good location," but rather "Is this the best location in the market, given the competition?"

Historically, the criteria for many retailers has included a location on Main and Main, with a minimum population within a specific radius, generally concentric rings of 1, 3, 5, or 10 miles. But providing demographics based on concentric rings and identifying the competition are no longer enough to sell a buyer on a location. Road systems, buyer preferences, and new venues of competition must now be considered, making use of the new technologically advanced systems that overlay mapping, demographics, and other data.

Consistency in consumer behavior also plays a part in the decision-making process, as cluster analysis, which identifies similar behavior patterns within similar demographic tracts, becomes prevalent. Psychographics-adding psychology, behavior, and lifestyles to demographic data-is also being utilized.

Providing information on the existing, proposed, and potential competition surrounding each site is critical when reviewing any location. Geo-demographic systems have quickly become the choice among savvy market researchers, as the use of one or more of these systems have proved successful in selecting new store locations. Doing research and providing this information are satisfying retailers and capital markets.

Retailers, developers, and brokers must push the envelope and look beyond the obvious to find creative options.

## Current Trends

With many retailers opting for locations in more densely populated areas, sites currently occupied for other uses are finding new life as adaptive reuse becomes the standard in urban economic development.

Many of the nation's retailers are discovering the substantial dollar volumes that are largely untapped in the major urban markets. Obsolescent industrial buildings in A locations are making way for new supermarkets, Wal-Marts, and Home Depots across the country. In fact, Wal-Mart is considering obsolescence in its new prototype by designing stores that can be converted into multifamily housing in the future. Communities with enterprise zones and other economic incentives are getting a second chance as retailers rediscover downtown in more-affluent markets. A shining example is the Circle Centre redevelopment in Indianapolis.

B locations, or those neighborhood centers once anchored by supermarkets, are getting a breath of new life from Rite Aid, Walgreens, and CVS as consumers yearn for service and convenience.

In addition, the surviving supermarkets and large discount department stores are anchoring regional malls. K mart now focuses on its superstore concept in metropolitan locations, with Wal-Mart continuing to identify gaps in suburban markets. There are fewer active big-box players; therefore, opportunities for regional mall locations, as they become repositioned, will become more prevalent.

**The Challenge of Cyber Retailing**

Technology is making a dramatic impact on the retail industry as a whole. A recent Gallup Poll study concluded that 40 percent of all shoppers are now using non store venues to make some of their purchases. Another recent study concluded that electronic shopping could shift 10 percent to 20 percent of sales away from retail stores.

In addition to catalog and TV shopping, cyber retailing has entered the scene, and continuing advances in info technology will make home shopping more desirable. Many retailers now have World Wide Web pages on the Internet to market their goods, making cyberspace the great equalizer as retailers of all sizes compete on an even electronic playing field.

At a recent panel discussion regarding retail strategies, a panelist and counsel for a major supermarket company in the Northeast stated that his company is "rethinking" the concept of the 25-year lease, as the speed of technology is changing the way retailing will be done in the future. The Catalina Marketing Corporation is currently beta testing a new Web site that will allow consumers to comparison shop at local supermarkets. The site also provides on-line advertising from manufacturers and coupons that consumers can print from their home computers.

Ultimately these technological changes will result in a reduced need for physical space as retailers expand electronically. Tenants that may disappear from shopping centers include camera and photo-processing stores (as digital cameras, without film, become more popular), travel offices, music stores, and bank branches (that are meeting and serving customers on-line, greatly reducing costs).

All of these factors will diminish the value of location. Eventually consumers will come to value the convenience of shopping on-line over the need to personally pick out products, just as they have with catalog shopping. For example, if a retailer were to offer its products on-line, the customer who wants to touch and try on the products at a regional location could do so; others could stay at home, make a selection, place an order, and await delivery. The retailer would eliminate the need for a location in every market.

As an example, consider L.L. Bean, the leader in catalog retailing; most consumers know where they can visit its stores. Becoming a destination retailer, less emphasis is placed on location. With fewer retailers needing fewer locations, there will be an abundance of good locations. We see this trend already as the vacancies for traditional strip centers increase and their lease rates decrease.

### The Next Trend

Will all of this technology eliminate the need for us to leave our homes? Human beings are by nature social creatures. Therefore, shopping will evolve into places for entertainment and socialization. In many areas of the country, particularly the waterfronts, we have already seen this new breed of retailers clustering around entertainment venues and tourist destinations. Now that value pricing has left its mark, customer service and entertainment will again become the hallmarks of retailing.

For example, theater chains and other entertainment venues are taking center stage as the anchors of new retail centers. The newest entertainment concept is Sega GameWorks, a 5,000-to-30,000-square-foot venture between Steven Spielberg's DreamWorks, MCA/Universal, and Sega. Approximately 20 freestanding and/or mall locations across the country are planned, with the first to open in late 1996 in downtown Seattle. National and regional restaurant groups are complementing the mix of this new environment.

**Under all is the Land**

In many areas, few choice are undeveloped sites-level and visible from the highway or easily accessible-are still available. Those remaining may have any number of challenges associated with them. Determining and providing the following information to the developer or user will undoubtedly expedite the process, and surprisingly, is often overlooked.

- Physical constraints. Does the site have difficult topography? Are the soil conditions such that blasting will be required? A review by a geologist will quickly assist in determining whether the soil conditions will result in any unusual site costs. Are there any easements or rights of way that will affect access or use of the site? Do a title search earlier rather than later to identify any potential negotiations with additional third parties.

- Conservation issues. Are wetlands on the site? Are they regulated by the state or federal government? Is the site in an established flood plain area? Reviewing local or county soils and flood plain maps will reveal these facts. Additionally, if you suspect that the site may be home to some rare species of plant or animal life, consult with a qualified botanist or biologist to avoid any surprises.

- Environmental dilemmas. Phase I and II audits may be warranted on the site-certainly any financial institution will require a preliminary study. Understanding state and federal environmental protection laws is important; however, be sure to include the reporting criteria from your lender in any requests for proposals to environmental review companies, because many of their guidelines now go beyond state or federal regulations.

Assembling a qualified and experienced team of professional consultants is critical to the success of any project. Site selection and development focus on managing the process versus monitoring the transaction.

## The Players

In addition to the developers, professional consultants, brokers, and tenants, today communities themselves are very much a part of the success or failure of proposed retail projects. Citizens are more educated, sophisticated, and involved in the development of their communities. Organized grass-roots efforts opposing retail projects are no longer the exception but the norm. Community public relations are an important early step to identify opposition groups and potential objections so that issues can be negotiated and projects are presented in a manner that will win all necessary approvals. Satisfying the concerns of the municipal planning and zoning boards is critical; however, the potential always exists for a “change of heart” by one board member as a result of pressures from organized, vocal opposition-which could prove fatal to a project. In a few areas, the competition among tenants has created direct or indirect opposition for projects-an expensive lesson to learn and too often overlooked by developers.

Increased site costs, costs to development of community opposition, high land prices, and changing tax laws, including the new impairment standard (FASB Statement number 121) and IRS Section 263A (capitalizing unimproved land development costs) have contributed to rising project costs. As a result, many retailers have found themselves in the development business to maintain already thin profit margins and meet their objectives for new locations. Other new players in the site development arena include real estate investment trusts, which will continue to see mergers as shareholders demand favorable returns.

The changing rules of retail raise as many questions about site selection as they answer. For instance, what will happen when category-killer retailers finally “kill” off each other? Will we see a vast landscape of big boxes waiting for redevelopment? Will cyber retailing live up to its hype and actually decrease the need for retail space? Consider the coming decrease in disposable income-expected to drop off after 1996-as well as the compression of the retail cycle (concepts that once took 10 years to mature now fade after five or six years).

These are the factors that will continue to influence retailers in their search for perfect locations. Flexibility and preparedness will aid savvy developers and brokers in staying one step ahead of the game.

By leveraging advanced market optimization modeling, operations, real estate and marketing executives can get specific answers to critical strategic questions:

- How many stores can this market support?
- How would a store perform in that location?
- Which stores are underperforming and why?
- Where are my most profitable customers?

Armed with this information, you can plan for significant capital expenditures, proactively secure the best sites before the competition and implement an optimal long-term location strategy for your brand.

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**Product and Merchandise Management**

- ‘Products can tangible like visible goods or intangible like beauty parlors gyms,banks etc
- Identification of products to be retailed is the core point of the retail business
- Varied cost implications, demand patterns and competitive factors play a major role for different product categories
- Critical for successful customer satisfaction

- Changes in product profile to provide innovative offerings (ethnic wear added to a casual wear outlet)
- Product management deals with issues and set of decisions related to the selection and removal of products from the retailers' portfolio
- Merchandise management relates to the selection of the right quantity of the product and ensures its availability at the right place and time ( Pantaloon offers fashion and leather accessories, cosmetics, perfumes, jewellery for women and formals, smart casuals, denims, men's accessories for men)
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- Review of product performance related to:

**Different Types of Products**

- Life cycle of the products,
- Trends in the product category
- Its strategic fit with the retailer's business
  - Product range review assists retailers to make decisions on:
- Deletion of a product
- Increase in variety and range
- Identification of new suppliers
- Additions to product features
- Review and revision of promotional campaigns
  - Effective product management is also known as brand management

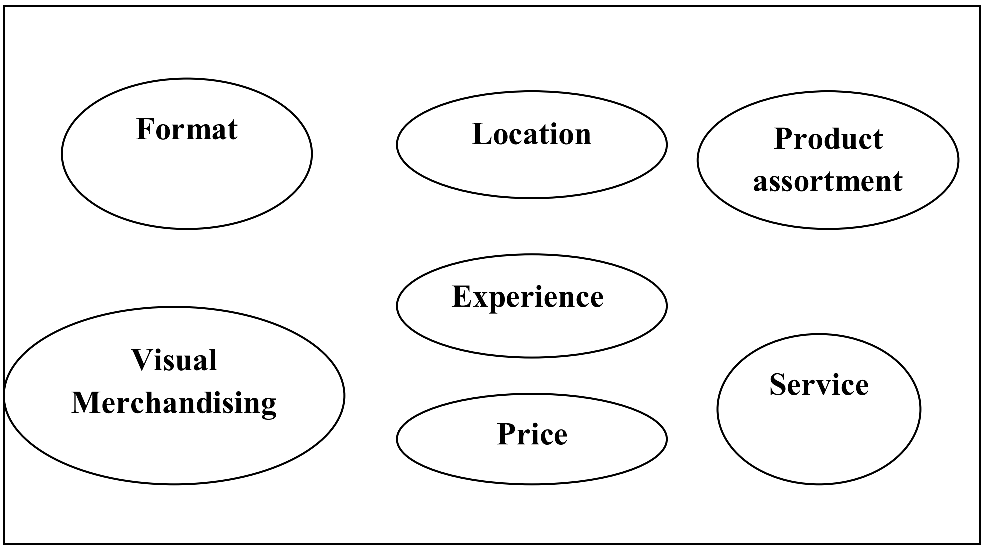
Brand management

- Key issues in retail branding:

- Brand management of the retail outlet

- ➢ Deciding whether or not to opt for the strategy of self own branding
- ➢ Mutli-pronged strategy
  - A strong retail brand and private label strategy is an effective tool to differentiate stores and the shopping experience

**Elements of a Store Brand**




**Own Branding**

- Own branding: retailer sells products under the retail organization's house brand name
- 2 types of own branding:

➢ Integrated own branding: retailer also manufactures the branded retail products (Raymond, Sony)

➢ Independent contracting: retailer procures the products from other suppliers although sold under the label of the retail house

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- Four significant factors of own branding/private labels:

- Private label sales have showed an increase in terms of both value and volume across countries
- Labels enhance store profitability by increasing pressure on branded manufacturers
- Lables can be used to increase margins or offer products at lower prices
- Better control over price, delivery, and quality, ensures a strong brand identity for a retailer
- Effective private label programme to include all elements of the value proposition—price, quality, and product differentiation

## Total Quality Management (TQM)

A core definition of total quality management (TQM) describes a management approach to long–term success through customer satisfaction. In a TQM effort, all members of an organization participate in improving processes, products, services, and the culture in which they work. The methods for implementing this approach come from the teachings of such quality leaders as Philip B. Crosby, W. Edwards Deming, Armand V. Feigenbaum, ***Kaoru Ishikawa, and Joseph M. Juran.***

### The Primary Elements of TQM

Total quality management can be summarized as a management system for a customer-focused organization that involves all employees in continual improvement. It uses strategy, data, and effective communications to integrate the quality discipline into the culture and activities of the organization.

- ***Customer-focused.*** The customer ultimately determines the level of quality. No matter what an organization does to foster quality improvement—training employees, integrating quality into the design process, upgrading computers or software, or buying new measuring tools—the customer determines whether the efforts were worthwhile.
- **Total employee involvement**. All employees participate in working toward common goals. Total employee commitment can only be

obtained after fear has been driven from the workplace, when empowerment has occurred, and management has provided the proper environment. High-performance work systems integrate continuous improvement efforts with normal business operations. Self-managed work teams are one form of empowerment.

- **Process-centered**. A fundamental part of TQM is a focus on process thinking. A process is a series of steps that take inputs from suppliers (internal or external) and transforms them into outputs that are delivered to customers (again, either internal or external). The steps required to carry out the process are defined, and performance measures are continuously monitored in order to detect unexpected variation.

- **Integrated system**. Although an organization may consist of many different functional specialties often organized into vertically structured departments, it is the horizontal processes interconnecting these functions that are the focus of TQM.

    - Micro-processes add up to larger processes, and all processes aggregate into the business processes required for defining and implementing strategy. Everyone must understand the vision, mission, and guiding principles as well as the quality policies, objectives, and critical processes of the organization. Business performance must be monitored and communicated continuously.

    - An integrated business system may be modeled after the Baldrige National Quality Program criteria and/or incorporate the ISO 9000 standards. Every organization has a unique work culture, and it is virtually impossible to achieve excellence in its products and services unless a good quality culture has been fostered. Thus, an integrated system connects business improvement elements in an attempt to continually improve and exceed the expectations of customers, employees, and other stakeholders.

- **Strategic and systematic approach**. A critical part of the management of quality is the strategic and systematic approach to achieving an organization's vision, mission, and goals. This process, called strategic planning or strategic management, includes the formulation of a strategic plan that integrates quality as a core component.

- **Continual improvement**. A major thrust of TQM is continual process improvement. Continual improvement drives an organization to be both analytical and creative in finding ways to become more competitive and more effective at meeting stakeholder expectations.

- **Fact-based decision making**. In order to know how well an organization is performing, data on performance measures are necessary. TQM requires that an organization continually collect and analyze data in order to improve decision making accuracy, achieve consensus, and allow prediction based on past history.

- **Communications**. During times of organizational change, as well as part of day-to-day operation, effective communications plays a large part in maintaining morale and in motivating employees at all levels. Communications involve strategies, method, and timeliness.

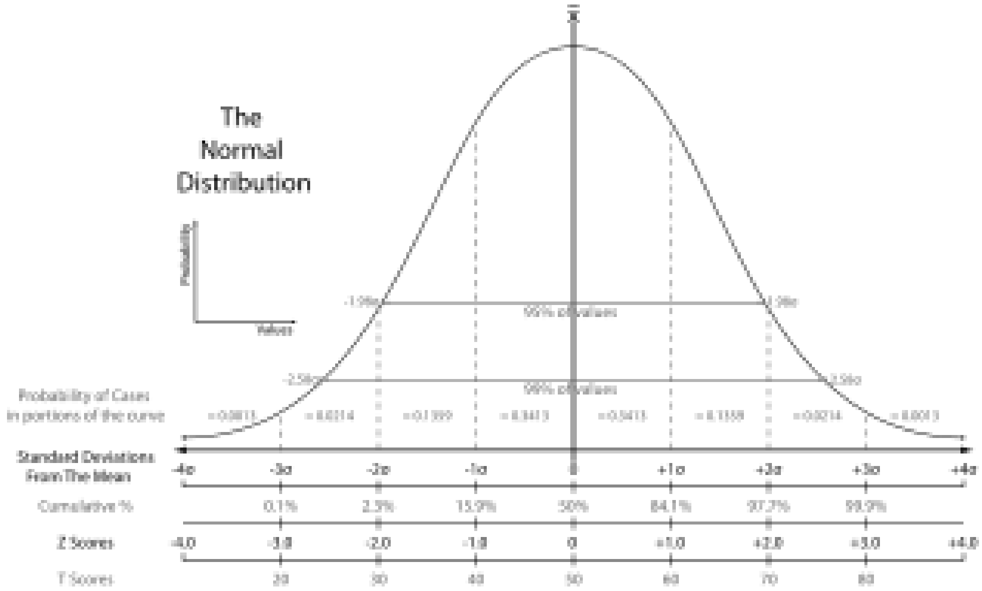
These elements are considered so essential to TQM that many organizations define them, in some format, as a set of core values and principles on which the organization is to operate

## Statistics - EDP

Statistics is the study of the collection, organization, analysis, and interpretation of data. It deals with all aspects of this, including the planning of data collection in terms of the design of surveys and experiments.

A statistician is someone who is particularly well versed in the ways of thinking necessary for the successful application of statistical analysis. Such people have often gained this experience through working in any of a wide number of fields. There is also a discipline called mathematical statistics that studies statistics mathematically.

The word *statistics*, when referring to the scientific discipline, is singular, as in “Statistics is an art.” This should not be confused with the word statistic, referring to a quantity (such as mean or median) calculated from a set of data, whose plural is statistics (“this statistic seems wrong” or “these statistics are misleading”).




More probability density will be found the closer one gets to the expected (mean) value in a normal distribution. Statistics used in standardized testing assessment are shown. The scales include *standard deviations, cumulative percentages, percentile equivalents, Z-scores, T-scores, standard nines, and percentages in standard nines.*

**Scope**

Some consider statistics to be a mathematical body of science pertaining to the collection, analysis, interpretation or explanation, and presentation of data while others consider it a branch of mathematics concerned with collecting and interpreting data. Because of its empirical roots and its focus on applications, statistics is usually considered to be a distinct mathematical science rather than a branch of mathematics.

Statisticians improve the quality of data with the design of experiments and survey sampling. Statistics also provides tools for prediction and forecasting using data and statistical models. Statistics is applicable to a wide variety of academic disciplines, including natural and social sciences, government, and business. Statistical consultants are available to provide help for organizations and companies without direct access to expertise relevant to their particular problems.

Statistical methods can be used for summarizing or describing a collection of data; this is called descriptive statistics. This is useful in research, when communicating the results of experiments. In addition, patterns in the data may be modeled in a way that accounts for randomness and uncertainty in the observations, and are then used for drawing inferences about the process or population being studied; this is called inferential statistics. Inference is a vital element of scientific advance, since it provides a means for drawing conclusions from data subject to random variation.

To prove the guiding theory further, these predictions are tested as well, as part of the scientific method. If the inference holds true, then the descriptive statistics of the new data increase the soundness of that hypothesis. Descriptive statistics and inferential statistics (a.k.a., predictive statistics) together comprise applied statistics.

Statistics is closely related to probability theory, with which it is often grouped; the difference is roughly that in probability theory, one starts from the given parameters of a total population to deduce probabilities pertaining to samples, but statistical inference moves in the opposite direction, inductive inference from samples to the parameters of a larger or total population.

**Overview**

In applying statistics to a scientific, industrial, or societal problem, it is necessary to begin with a population or process to be studied. Populations can be diverse topics such as "all persons living in a country" or "every atom composing a crystal". A population can also be composed of observations of a process at various times, with the data from each observation serving as a different member of the overall group. Data collected about this kind of "population" constitutes what is called a time series.

For practical reasons, a chosen subset of the population called a sample is studied — as opposed to compiling data about the entire group (an operation called census). Once a sample that is representative of the population is determined, data are collected for the sample members in an observational or experimental setting. This data can then be subjected to statistical analysis, serving two related purposes: description and inference.

- Descriptive statistics summarize the population data by describing what was observed in the sample numerically or graphically. Numerical descriptors include mean and standard deviation for continuous data types (like heights or weights), while frequency and percentage are more useful in terms of describing categorical data (like race).
- Inferential statistics uses patterns in the sample data to draw inferences about the population represented, accounting for randomness. These inferences may take the form of: answering yes/no questions about the data (hypothesis testing), estimating numerical characteristics of the data (estimation), describing associations within the data (correlation) and modeling relationships within the data (for example, using regression analysis). Inference can extend to forecasting, prediction and estimation of unobserved values either in or associated with the population being studied; it can include extrapolation and interpolation of time series or spatial data, and can also include data mining.

"... it is only the manipulation of uncertainty that interests us. We are not concerned with the matter that is uncertain. Thus we do not study the mechanism of rain; only whether it will rain."

The concept of correlation is particularly noteworthy for the potential confusion it can cause. Statistical analysis of a data set often reveals that two variables (properties) of the population under consideration tend to vary together, as if they were connected. For example, a study of annual income that also looks at age of death might find that poor people tend to have shorter lives than affluent people.

The two variables are said to be correlated; however, they may or may not be the cause of one another. The correlation phenomena could be caused by a third, previously unconsidered phenomenon, called a lurking variable or confounding variable. For this reason, there is no way to immediately infer the existence of a causal relationship between the two variables.

For a sample to be used as a guide to an entire population, it is important that it is truly a representative of that overall population. Representative sampling assures that the inferences and conclusions can be safely extended from the sample to the population as a whole. A major problem lies in determining the extent to which the sample chosen is actually representative. Statistics offers methods to estimate and correct for any random trending within the sample and data collection procedures. There are also methods of experimental design for experiments that can lessen these issues at the outset of a study, strengthening its capability to discern truths about the population.

Randomness is studied using the mathematical discipline of probability theory. Probability is used in "mathematical statistics" (alternatively, "statistical theory") to study the sampling distributions of sample statistics and, more generally, the properties of statistical procedures. The use of any statistical method is valid when the system or population under consideration satisfies the assumptions of the method.

Misuse of statistics can produce subtle, but serious errors in description and interpretation — subtle in the sense that even experienced professionals make such errors, and serious in the sense that they can lead to devastating decision errors. For instance, social policy, medical practice, and the reliability of structures like bridges all rely on the proper use of statistics. See below for further discussion.

Even when statistical techniques are correctly applied, the results can be difficult to interpret for those lacking expertise. The statistical significance of a trend in the data — which measures the extent to which a trend could be caused by random variation in the sample — may or may not agree with an intuitive sense of its significance. The set of basic statistical skills (and skepticism) that people need to deal with information in their everyday lives properly is referred to as statistical literacy.

## Statistical Methods

### Experimental and Observational Studies

A common goal for a statistical research project is to investigate causality, and in particular to draw a conclusion on the effect of changes in the values of predictors or independent variables on dependent variables or response. There are two major types of causal statistical studies: experimental studies and observational studies. In both types of studies, the effect of differences of an independent variable (or variables) on the behavior of the dependent variable are observed. The difference between the two types lies in how the study is actually conducted. Each can be very effective. An experimental study involves taking measurements of the system under study, manipulating the system, and then taking additional measurements using the same procedure to determine if the manipulation has modified the values of the measurements. In contrast, an observational study does not involve experimental manipulation. Instead, data are gathered and correlations between predictors and response are investigated.

### Experiments

**The basic steps of a statistical experiment are:**

1. Planning the research, including finding the number of replicates of the study, using the following information: preliminary estimates regarding the size of treatment effects, alternative hypotheses, and the estimated experimental variability. Consideration of the selection of experimental subjects and the ethics of research is necessary. Statisticians recommend that experiments compare (at least) one new treatment with a standard treatment or control, to allow an unbiased estimate of the difference in treatment effects.
2. Design of experiments, using blocking to reduce the influence of confounding variables, and randomized assignment of treatments to subjects to allow unbiased estimates of treatment effects and experimental error. At this stage, the experimenters and statisticians write the experimental protocol that shall guide the performance of the experiment and that specifies the primary analysis of the experimental data.
3. Performing the experiment following the experimental protocol and analyzing the data following the experimental protocol.
4. Further examining the data set in secondary analyses, to suggest new hypotheses for future study.
5. Documenting and presenting the results of the study.

Experiments on human behavior have special concerns. The famous Hawthorne study examined changes to the working environment at the Hawthorne plant of the Western Electric Company. The researchers were interested in determining whether increased illumination would increase the productivity of the assembly line workers. The researchers first measured the productivity in the plant, then modified the illumination in an area of the plant and checked if the changes in illumination affected productivity. It turned out that productivity indeed improved (under the experimental conditions). However, the study is heavily criticized today for errors in experimental procedures, specifically for the lack of a control group and blindness. The Hawthorne effect refers to finding that an outcome (in this case, worker productivity) changed due to observation itself. Those in the Hawthorne study became more productive not because the lighting was changed but because they were being observed.

**Observational Study**

An example of an observational study is one that explores the correlation between smoking and lung cancer. This type of study typically uses a survey to collect observations about the area of interest and then performs statistical analysis. In this case, the researchers would collect observations of both smokers and non-smokers, perhaps through a case-control study, and then look for the number of cases of lung cancer in each group.

**Levels of Measurement**

There are four main levels of measurement used in statistics: nominal, ordinal, interval, and ratio. Each of these have different degrees of usefulness in statistical research. Ratio measurements have both a meaningful zero value and the distances between different measurements defined; they provide the greatest flexibility in statistical methods that can be used for analyzing the data. Interval measurements have meaningful distances between measurements defined, but the zero value is arbitrary (as in the case with longitude and temperature measurements in Celsius or Fahrenheit). Ordinal measurements have imprecise differences between consecutive values, but have a meaningful order to those values. Nominal measurements have no meaningful rank order among values.

Because variables conforming only to nominal or ordinal measurements cannot be reasonably measured numerically, sometimes they are grouped together as categorical variables, whereas ratio and interval measurements are grouped together as quantitative variables, which can be either discrete or continuous, due to their numerical nature.

**Statistical Computing**

The rapid and sustained increases in computing power starting from the second half of the 20th century have had a substantial impact on the practice of statistical science. Early statistical models were almost always from the class of linear models, but powerful computers, coupled with suitable numerical algorithms, caused an increased interest in nonlinear models (such as neural networks) as well as the creation of new types, such as generalized linear models and multilevel models.

Increased computing power has also led to the growing popularity of computationally intensive methods based on re-sampling, such as permutation tests and the bootstrap, while techniques such as Gibbs sampling have made use of Bayesian models more feasible. The computer revolution has implications for the future of statistics with new emphasis on "experimental" and "empirical" statistics. A large number of both general and special purpose statistical software are now available.

**Misuse of Statistics**

There is a general perception that statistical knowledge is all-too-frequently intentionally misused by finding ways to interpret only the data that are favorable to the presenter. The famous saying, "There are three kinds of lies: lies, damned lies, and statistics" which was popularized in the USA by Mark Twain and incorrectly attributed by him to Disraeli (1804–1881) has come to represent the general mistrust [and misunderstanding] of statistical science. Harvard President Lawrence Lowell wrote in 1909 that statistics, "...like veal pies, are good if you know the person that made them, and are sure of the ingredients.

If various studies appear to contradict one another, then the public may come to distrust such studies. For example, one study may suggest that a given diet or activity raises blood pressure, while another may suggest that it lowers blood pressure. The discrepancy can arise from subtle variations in experimental design, such as differences in the patient groups or research protocols, which are not easily understood by the non-expert. (Media reports usually omit this vital contextual information entirely, because of its complexity.)

By choosing (or rejecting, or modifying) a certain sample, results can be manipulated. Such manipulations need not be malicious or devious; they can arise from unintentional biases of the researcher. The graphs used to summarize data can also be misleading.

Deeper criticisms come from the fact that the hypothesis testing approach, widely used and in many cases required by law or regulation, forces one hypothesis (the null hypothesis) to be "favored," and can also seem to exaggerate the importance of minor differences in large studies. A difference that is highly statistically significant can still be of no practical significance. (See criticism of hypothesis testing and controversy over the null hypothesis.)

One response is by giving a greater emphasis on the p-value than simply reporting whether a hypothesis is rejected at the given level of significance. The p-value, however, does not indicate the size of the effect. Another increasingly common approach is to report confidence intervals. Although these are produced from the same calculations as those of hypothesis tests or p-values, they describe both the size of the effect and the uncertainty surrounding it.

### MIS (Management Information System)

A management information system (MIS) provides information that is needed to manage organizations efficiently and effectively. Management information systems involve three primary resources: people, technology, and information or decision making. Management information systems are distinct from other information systems in that they are used to analyze operational activities in the organization. Academically, the term is commonly used to refer to the group of information management methods tied to the automation or support of human decision making, e.g. decision support systems, expert systems, and executive information systems

Initially in businesses and other organizations, internal reporting was produced manually and only periodically, as a by-product of the accounting system and with some additional statistic(s), and gave limited and delayed information on management performance. Data was organized manually according to the requirements and necessity of the organization. As computational technology developed, information began to be distinguished from data and systems were developed to produce and organize abstractions, summaries, relationships and generalizations based on the data.

Early business computers were used for simple operations such as tracking sales or payroll data, with little detail or structure. Over time, these computer applications became more complex, hardware storage capacities grew, and technologies improved for connecting previously isolated applications. As more and more data was stored and linked, managers sought greater detail as well as greater abstraction with the aim of creating entire management reports from the raw, stored data. The term "MIS" arose to describe such applications providing managers with information about sales, inventories, and other data that would help in managing the enterprise. Today, the term is used broadly in a number of contexts and includes (but is not limited to): decision support systems, resource and people management applications, enterprise resource planning (ERP), enterprise performance management (EPM), supply chain management (SCM), customer relationship management (CRM), project management and database retrieval applications.

The successful MIS supports a business' long range plans, providing reports based upon performance analysis in areas critical to those plans, with feedback loops that allow for titivation of every aspect of the enterprise, including recruitment and training regimens. MIS not only indicate how things are going, but also why and where performance is failing to meet the plan. These reports include near-real-time performance of cost centers and projects with detail sufficient for individual accountability

The terms MIS, information system, ERP and, information technology management are often confused. Information systems and MIS are broader categories that include ERP. Information technology management concerns the operation and organization of information technology resources independent of their purpose.

## Types

Most management information systems specialize in particular commercial and industrial sectors, aspects of the enterprise, or management substructure.

- Management information systems (MIS), per se, produce fixed, regularly scheduled reports based on data extracted and summarized from the firm's underlying transaction processing systems to middle and operational level managers to identify and inform structured and semi-structured decision problems.
- Decision support systems (DSS) are computer program applications used by middle management to compile information from a wide range of sources to support problem solving and decision making.
- Executive information systems (EIS) is a reporting tool that provides quick access to summarized reports coming from all company levels and departments such as accounting, human resources and operations.
- Marketing information systems are MIS designed specifically for managing the marketing aspects of the business.
- Office automation systems (OAS) support communication and productivity in the enterprise by automating work flow and eliminating bottlenecks. OAS may be implemented at any and all levels of management.
- School management information systems (MIS) cover school administration, often including teaching and learning materials.

## Advantages

The following are some of the benefits that can be attained for different types of management information systems.

- Companies are able to highlight their strengths and weaknesses due to the presence of revenue reports, employees' performance record etc. The identification of these aspects can help the company improve their business processes and operations.

- Giving an overall picture of the company and acting as a communication and planning tool.
- The availability of the customer data and feedback can help the company to align their business processes according to the needs of the customers. The effective management of customer data can help the company to perform direct marketing and promotion activities.
- Information is considered to be an important asset for any company in the modern competitive world. The consumer buying trends and behaviours can be predicted by the analysis of sales and revenue reports from each operating region of the company.

**Enterprise Applications**

- Enterprise systems, also known as enterprise resource planning (ERP) systems provide an organization with integrated software modules and a unified database which enable efficient planning, managing, and controlling of all core business processes across multiple locations. Modules of ERP systems may include finance, accounting, marketing, human resources, production, inventory management and distribution.
- Supply chain management (SCM) systems enable more efficient management of the supply chain by integrating the links in a supply chain. This may include suppliers, manufacturer, wholesalers, retailers and final customers.
- Customer relationship management (CRM) systems help businesses manage relationships with potential and current customers and business partners across marketing, sales, and service.
- Knowledge management system (KMS) helps organizations facilitate the collection, recording, organization, retrieval, and dissemination of knowledge. This may include documents, accounting records, and unrecorded procedures, practices and skills.

**Developing Information Systems**

"The actions that are taken to create an information system that solves an organizational problem are called system development". These include system analysis, system design, programming/implementation, testing, conversion, production and finally maintenance. These actions usually take place in that specified order but some may need to repeat or be accomplished concurrently.

Conversion is the process of changing or converting the old system into the new. This can be done in four ways:

- Direct cutover – The new system replaces the old at an appointed time.
- Pilot study – Introducing the new system to a small portion of the operation to see how it fares. If good then the new system expands to the rest of the company.
- Phased approach – New system is introduced in stages.

## Summary

Retailing is simply buying in large quantities and reselling them in smaller quantities. A retail industry analysis shows how retailing provides an exciting lifestyle for millions of individuals. Retailers provide stuff that people need everyday. They make money by selling goods and services at a price that covers expenses and profit. Thousands of new enterprises are launched each year. As one of the fastest-growing economic segments, the retailing sector provides excellent employment opportunities, as well. Retailers run either a store or other types of enterprises like e-commerce, mail order, automatic merchandising or vending machine, and direct retailing (door-to-door or home party sales), among others.

Merchandise management relates to the selection of the right quantity of the product and ensures its availability at the right place and time (Pantaloon offers fashion and leather accessories, cosmetics, perfumes, jewellery for women and formals, smart casuals, denims, men's accessories for men). Product management deals with issues and set of decisions related to the selection and removal of products from the retailers' portfolio. Merchandise management relates to the selection of the right quantity of the product and ensures its availability at the right place and time. A core definition of total quality management (TQM) describes a management approach to long–term success through customer satisfaction. In a TQM effort, all members of an organization participate in improving processes, products, services, and the culture in which they work.

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## Lesson 2.2 - Logistics and Supply Chain Management

### Learning Objectives

- Understand the nature and importance of supply chain management
- Learn about the nature of logistics.

### Introduction

The term Logistics Management or supply chain management is that part of Supply Chain Management that plans, implements, and controls the efficient, effective, forward, and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customer's requirements.

### Logistics Management Software

Software is used for logistics automation which helps the supply chain industry in automating the workflow as well as management of the system. There are few generalized software available in the new market in the said topology. This is because there is no rule to generalize the system as well as work flow even though the practice is more or less the same. Most of the commercial companies do use one or the other of the custom solutions.

But there are various software solutions that are being used within the departments of logistics. There are a few departments in Logistics, namely: Conventional Department, Container Department, Warehouse, Marine Engineering, Heavy Haulage, etc.

### Improving Effectiveness of Logistics Management

1. Logistical Network
2. Information

3. Transportation
4. Sound Inventory Management
5. Warehousing, Materials Handling & Packaging

**Basic Logistic Services are Measured in terms of**

1. Availability
2. Operational performance
3. Service reliability.

**Principles of Logistic Excellence'**

1. Link logistics to corporate strategy
2. Organize Comprehensively
3. Use the power of information
4. Emphasize Human resources
5. Form strategic Alliances
6. Focus on financial performance
7. Target optimum service levels
8. Manage details
9. Leveraging of logistics volume
10. Measure and react to performance

Thus Logistics is the management of the flow of resources, not only goods, between the point of origin and the point of destination in order to meet the requirements of customers or corporations. Logistics involves the integration of information, transportation, inventory, warehousing, material handling, and packaging, and often security. Today the complexity of production logistics can be modeled, analyzed, visualized and optimized by plant simulation software, but is constantly changing. This can involve anything from consumer goods such as food, to IT materials, to aerospace and defense equipment

**Main Logistics Targets**

Logistics is one of the main functions within a company. The main targets of logistics can be divided into performance related and cost related. They are high due date reliability, short delivery times, low inventory level and high capacity utilization. But when decisions need to be made, there is always a trade off between these targets. This is what makes being a logistician challenging and interesting.

**Logistics Viewpoints**

Inbound logistics is one of the primary processes and it concentrates on purchasing and arranging inbound movement of materials, parts and/ or finished inventory from suppliers to manufacturing or assembly plants, warehouses or retail stores.

Outbound logistics is the process related to the storage and movement of the final product and the related information flows from the end of the production line to the end user.

**Logistics Fields**

Given the services performed by logistics, one can distinguish the main fields of it as it follows:

- Procurement Logistics
- Production Logistics
- Distribution Logistics
- After sales Logistics
- Disposal Logistics

***Procurement Logistics*** consists of activities such as market research, requirements planning, make or buy decisions, supplier management, ordering, and order controlling. The targets in procurement logistics might be contradictory - maximize the efficiency by concentrating on core competences, outsourcing while maintaining the autonomy of the company, and minimization of procurement costs while maximizing the security within the supply process.

***Production Logistics*** connects procurement to distribution logistics. The main function of production logistics is to use the available production capacities to produce the products needed in distribution logistics. Production logistics activities are related to organizational concepts, layout planning, production planning, and control.

***Distribution Logistics*** has, as main tasks, the delivery of the finished products to the customer. It consists of order processing, warehousing, and transportation. Distribution logistics is necessary because the time, place, and quantity of production differs with the time, place, and quantity of consumption.

***Disposal Logistics'*** main function is to reduce logistics cost(s), enhance service(s), and save natural resources.

**Business Logistics**

Logistics as a business concept evolved in the 1950s due to the increasing complexity of supplying businesses with materials and shipping out products in an increasingly globalized supply chain, leading to a call for experts called supply chain logisticians.

Business logistics can be defined as "having the right item in the right quantity at the right time at the right place for the right price in the right condition to the right customer", and is the science of process and incorporates all industry sectors. The goal of logistics work is to manage the fruition of project life cycles, supply chains and resultant efficiencies.

In business, logistics may have either internal focus (inbound logistics), or external focus (outbound logistics) covering the flow and storage of materials from point of origin to point of consumption. The main functions of a qualified logistician include inventory management, purchasing, transportation, warehousing, consultation and the organizing and planning of these activities.

Logisticians combine a professional knowledge of each of these functions to coordinate resources in an organization. There are two fundamentally different forms of logistics: one optimizes a steady flow of material through a network of transport links and storage nodes; the other coordinates a sequence of resources to carry out some project.

**Production Logistics**

The term production logistics is used to describe logistic processes within an industry. The purpose of production logistics is to ensure that each machine and workstation is being fed with the right product in the right quantity and quality at the right time. The concern is not the transportation itself, but to streamline and control the flow through value-adding processes and eliminate non–value-adding ones. Production logistics can be applied to existing as well as new plants. Manufacturing in an existing plant is a constantly changing process. Machines are exchanged and new ones added, which gives the opportunity to improve the production logistics system accordingly. Production logistics provides the means to achieve customer response and capital efficiency.

Production logistics is becoming more important with decreasing batch sizes. In many industries (e.g. mobile phones), a batch size of one is the short-term aim, allowing even a single customer's demand to be fulfilled efficiently. Track and tracing, which is an essential part of production logistics—due to product safety and product reliability issues—is also gaining importance, especially in the automotive and medical industries. Thus Logistics management is known by many names, the most common are as follows:

- Materials Management
- Channel Management
- Distribution (or Physical Distribution)
- Business or Logistics Management or
- Supply Chain Management

**Warehouse Management Systems and Warehouse Control Systems**

Although there is some functionality overlap, the differences between warehouse management systems (WMS) and warehouse control systems (WCS) can be significant. Simply put, a WMS plans a weekly activity forecast based on such factors as statistics and trends, whereas a WCS acts like a floor supervisor, working in real time to get the job done by the most effective means.

**Logistics Outsourcing**

Logistics outsourcing involves a relationship between a company and an LSP which, compared with basic logistics services, has more customized offerings, encompasses a broad number of service activities, is characterized by a long-term orientation, and, thus, has a rather strategic nature.

**Third-Party Logistics**

Third-party logistics (3PL) involves using external organizations to execute logistics activities that have traditionally been performed within an organization itself. According to this definition, third-party logistics includes any form of outsourcing of logistics activities previously performed in-house. If, for example, a company with its own warehousing facilities decides to employ external transportation, this would be an example of third-party logistics. Logistics is an emerging business area in many countries.

**Fourth-Party Logistics**

The concept of Fourth-Party Logistics (4PL) provider was first defined by Andersen Consulting (Now Accenture) as an integrator that assembles the resources, capabilities and technology of its own organization and other organizations to design, build, and run comprehensive supply chain solutions. Whereas a third party logistics (3PL) service provider targets a function, a 4PL targets management of the entire process. Some have described a 4PL as a general contractor who manages other 3PLs, truckers, forwarders, custom house agents, and others, essentially taking responsibility of a complete process for the customer.

**Emergency Logistics**

Emergency logistics is a term used by the logistics, supply chain and manufacturing industries to denote specific time critical modes of transport used to move goods or objects rapidly in the event of an emergency. The reason for enlisting emergency logistics services could be a production delay or anticipated production delay, or it could be that specialist equipment is needed urgently to prevent instances such as aircraft being grounded (also known as "aircraft on ground" AOG), ships being delayed, or telecommunications failure. Emergency logistics services are typically sourced from a specialist provider.

**SCM Security Measures**

Secure Content Management (SCM) is committed to protecting the privacy, confidentiality and security of the personal information of SCM's members, constituents, supporters and other stakeholders. SCM values the trust of those SCM deals with and recognizes that maintaining that trust requires that SCM be transparent and accountable in how SCM treats the information that you provide to SCM.

During the course of SCM's various activities, SCM frequently gathers and uses personal information. Anyone from whom SCM collects such information should expect that it will be carefully protected and that except as otherwise legally required or permitted any use or other dealing with this information is subject to consent. SCM's privacy practices are designed to achieve this.

Personal information gathered by SCM is kept in confidence. SCM staff are authorized to access personal information based only on their need to deal with the information for the reasons for which it was obtained. Safeguards are in place to ensure that the information is not disclosed or shared more widely than is necessary to achieve the purpose for which it was gathered.

SCM also takes measures to ensure the integrity of this information is maintained and to prevent it being lost or destroyed. SCM has tailored its own privacy principles in compliance with the relevant privacy legislation to meet the specific needs and expectations of its stakeholders.

**SCM Accountability**

SCM is accountable and responsible for personal information under its control, including information that has been transferred to a third party. In cases where such transfers take place SCM will ensure that the third party has comparable privacy safeguards in place. SCM has designated a privacy officer to ensure compliance with this policy.

**Identifying the Purposes of Personal Information**

SCM may collect your personal information for the following purposes:

- To provide and administer resource materials and other related products and services through SCM;
- To provide and administer pastoral support and services and other related support and services through SCM;
- To provide administrative services through SCM;
- To contact SCM members, constituents, supporters and other stakeholders regarding resource materials and other related products and services of SCM;
- To contact SCM members, constituents, supporters and other stakeholders for special events, promotions, fund raising and other similar matters, which are directly or indirectly beneficial to SCM;
- To administer the policies, procedures and practices of SCM;
- To thank and publically recognize SCM members, constituents, supporters and other stakeholders;
- To provide members, constituents, supporters and other stakeholders with information about how donated funds are used by SCM;
- To keep SCM members, constituents, supporters and other stakeholders informed about SCM activities;
- To promote opportunities for members, constituents, supporters, potential constituents and supporters and other stakeholders to support SCM;
- To establish and maintain lists of members, constituents, supporters and other stakeholders;
- To conduct surveys or research;
- To compile statistical and historical information about members, constituents, supporters and other stakeholders;
- To establish and maintain subscriptions to publications of SCM or related organizations;
- To build and maintain relationships among stakeholders within SCM;

- To disclose information requested by third parties (with permission of members, constituents, supporters or other stakeholders);
- To protect SCM, you and others from fraud and error and to safeguard the interests of SCM and its staff and representatives;
- To authenticate your identity;
- To ensure staff and contractors comply with their agreements and legal obligations to SCM;
- To comply with any legal or regulatory requirement; and
- To use and disclose for any other purpose directly or indirectly related to the establishment or operation of SCM.

The above collections, uses and disclosures are a reasonably necessary part of your relationship with SCM. When your personal information is to be used for a purpose not previously identified, the new purpose will be disclosed to you prior to such use, and your consent will be sought unless the use is permitted or required by law.

**Consent**

SCM will obtain your consent to collect, use or disclose personal information except where SCM is permitted or required by law to do so without consent. For example SCM may collect, use or disclose personal information without your consent where:

- SCM reasonably expects that obtaining consent would compromise an investigation or proceeding;
- SCM's use of the information is for acting in an emergency that threatens a person's life, health or personal security;
- SCM is obtaining legal advice; or
- SCM needs to deal with an anticipated breach of law.

**Limits for Collecting Personal Information**

SCM will only collect personal information that is reasonably necessary to provide a product or service either directly or indirectly and which is reasonably necessary for the purposes which you consented to. SCM will collect personal information by lawful means. SCM may also collect information as permitted or required by law.

**Limits for Using, Disclosing and Keeping Personal Information**

Your personal information will only be used or disclosed for the purpose for which it was collected. SCM will not use personal information for any additional purpose unless SCM seeks your consent to do so. SCM may periodically use your personal information to conduct surveys in order to enhance SCM's provision of products or services.

SCM will not sell SCM member, constituent, supporter and other stakeholder lists or personal information to third parties. SCM will retain your personal information only so long as necessary for the identified purposes or for necessary legal or business purposes. SCM will keep your personal information used to make a decision affecting you for at least one year after using it to make the decision. SCM will also keep personal information that is the subject of a request by you for as long as is necessary to allow you to exhaust recourse with respect to this personal information.

Once SCM no longer has a reason to retain your personal information, SCM will destroy, erase or make anonymous documents or the records containing personal information.

**Accuracy**

SCM will make reasonable efforts to ensure your personal information is as accurate, complete and current as required for the purposes for which it was collected. In some cases, SCM will rely on you to ensure that certain information, such as your street address, e-mail address or telephone number, is current, complete and accurate.

SCM will not routinely update your personal information unless it is necessary to fulfill the purposes for which it was collected. You may request amendments to the records at SCM to ensure the accuracy and completeness of your personal information. If the amendment request relates to information that remains in dispute, SCM will note your opinion on the file.

**Safeguarding Personal Information**

SCM is committed to the safekeeping of your personal information in order to prevent its loss, theft, unauthorized access, disclosure, duplication, use or modification.

Depending on the sensitivity of your personal information, SCM will employ appropriate security measures to protect the information. The measures may include, for example, the physical security of offices and data centres, the limiting of access on a "need-to-know" basis and the use of passwords and encryption.

SCM will also use appropriate security measures when disposing of your personal information. SCM will require third parties through contractual or other reasonable means to safeguard your personal information entrusted to them in a manner consistent with the policies, procedures and practices of SCM.

**Refund Policy**

Regarding product sales on our online shopping cart, all sales are final. However, if a product is damaged, please email the SCM fulfillment department at. A member of our staff will assess the damage to replace the item.

**Footfalls**

The number of people visiting a shop or a chain of shops in a period of time is called its footfall. It is an important indicator of how successfully a company's marketing, brand and format are bringing people into its shops. It is an indicator of the reach a retailer has, but footfall needs to be converted into sales and this is not guaranteed to happen. Many retailers have struggled to turn high footfall into sales.

Trends in footfall do tell investors something useful. They may be an indicator of growth and help investors to understand why a retailer's sales growth (or decline) is happening. Investors may want to know whether sales growth due to an increase in the number of people entering the shops (footfall) or more success at turning visitors into buyers (which can be seen by comparing footfall to the number of transactions).

Sales growth may also come from selling more items to each buyer (compare number of transactions to sales volumes), selling more expensive items (an improvement in the sales mix), or increasing prices. Which of these numbers is disclosed varies from company to company. Investors should look at whatever is available.

**Tips to Increase Footfall in Retail**

1. **Be extraordinary** in your visual presence. Your ability to trigger peoples *imagination* long enough to stop in curiosity is often enough to get them to step inside.
2. **Make a feature** of the window space or free standing signage but ensure to *change it regularly* with interesting new ideas or attractions *relevant* to your service/ product.
3. **Get interactive** and step outside and greet people, maybe hand out info packs, special offers, setup mini stalls in high profile locations, give event invitations or any other micro campaigns you are running at the time.
4. **Call to action** and be distinctive in your brand and communication and allow your audience to *understand clearly* and *simply* what you stand for and how **they can benefit** from your offer. Brand and message confusion can cause uncertainty which often results as a repellent. The client journey starts well before they enter your outlet.
5. **Be convenient** and make sure people know you exist, have a launch or re-launch. Offer **multiple ways** to access your offer e.g. mail order, ecommerce, after hours and weekend opening, trial offers, pre-orders notifications, telephone bookings, delivery, parking for visitors and the list goes on.
6. **Make it easy to buy** from you. Provide your clients with payment options to incentivise the purchase and become a closer match to the preferred buying pattern/choice of the consumer.
7. **Try new things** and be relevant to the *desired* audience. Sometimes the most *unusual* tactics get the desired results but you may need to go through a variety before identifying what works **for you**.
8. **Select a high traffic location.** It sounds obvious but location is *king*. However the costs can be prohibitive so a creative approach maybe needed. For example: a collaborative relationship with other businesses to *co-habit* a particularly well located shop (temporarily, permanently or even mobile) to retail complimentary products or services, spreading the risk/costs and direct people to **your main outlet.**

9. **Learn from the best** and gain some ideas. You do not need to reinvent the wheel or innovate to succeed. For example supermarkets and department stores often make use of smell or organics to **motivate purchase** and trigger **positive emotional reaction**. This is done by placing the fruit and vegetables on entry in a supermarket or perfume and cosmetic stalls near entry doorways in a department store.

## Summary

The term Logistics Management or supply chain management is that part of Supply Chain Management that plans, implements, and controls the efficient, effective, forward, and reverse flow and storage of goods, services, and related information between the point of origin and the point of consumption in order to meet customer's requirements. Software is used for logistics automation which helps the supply chain industry in automating the workflow as well as management of the system. There are few generalized software available in the new market in the said topology. This is because there is no rule to generalize the system as well as work flow even though the practice is more or less the same. Most of the commercial companies do use one or the other of the custom solutions. Secure Content Management (SCM) is committed to protecting the privacy, confidentiality and security of the personal information of SCM's members, constituents, supporters and other stakeholders. SCM values the trust of those SCM deals with and recognizes that maintaining that trust requires that SCM be transparent and accountable in how SCM treats the information that you provide to SCM.

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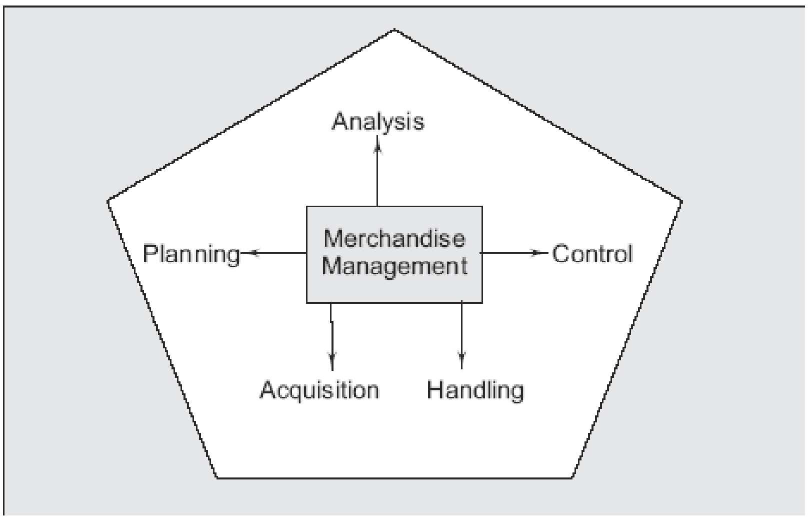
## Lesson 2.3 - Merchandising Management

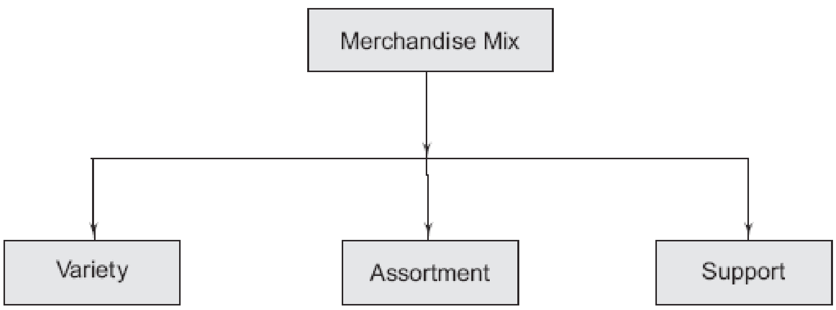
### Learning Objectives

- Know the concept of merchandising management
- Understand the need for visual requirements

### Introduction

Merchandise management is process by which a retailer attempts to offer the right quantity of the right product at the right place and time while meeting the retail firm's financial goals. Merchandise management is the sum of planning, procurement, handling and control of merchandise investments of a retail operation.



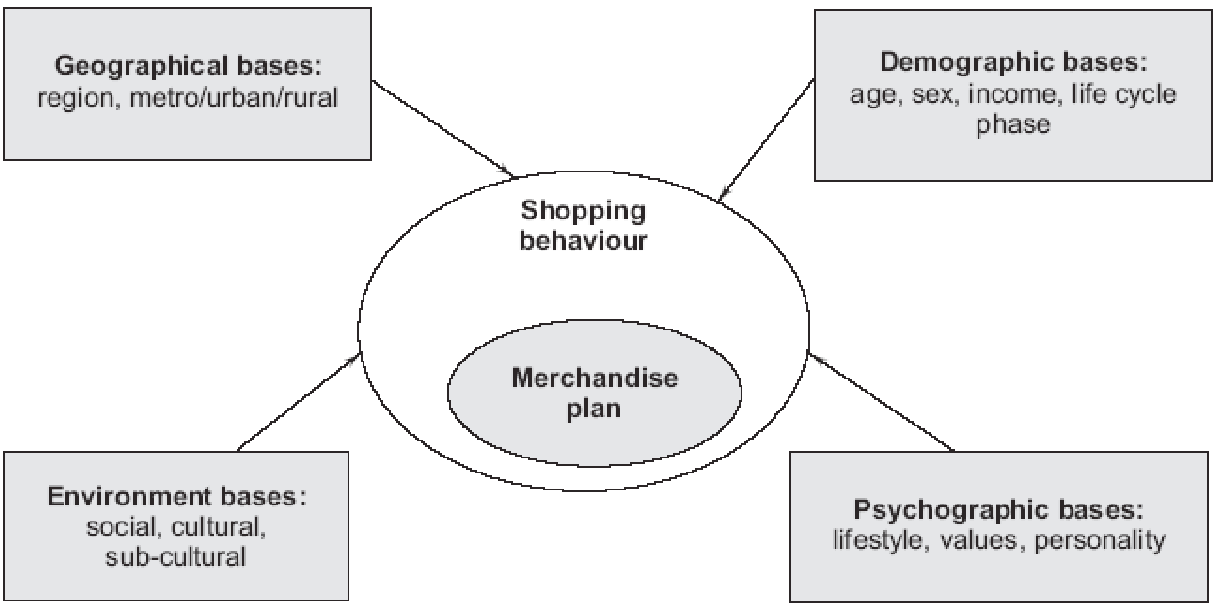




**Dimensions of merchandise mix**

**Merchandise unit plan**

- Target market analysis
- Need to incorporate demographic, shopping behavior and psychographic data (DLF City Centre Shopping Mall in Gurgaon has evolved its merchandise mix around female ethnic and formal wear in garments, footwear, etc.,
- Influential consumer characteristics
- Competition Analysis

Evaluation of the competitive retail stores in the trade area used to arrive at a market positioning that identifies the retail store position vis-à-vis competition and defines its target customers - determined by competitive factors (number, types, and positioning of the anchor store and non-anchor stores, size and nature of the market area of retailer).



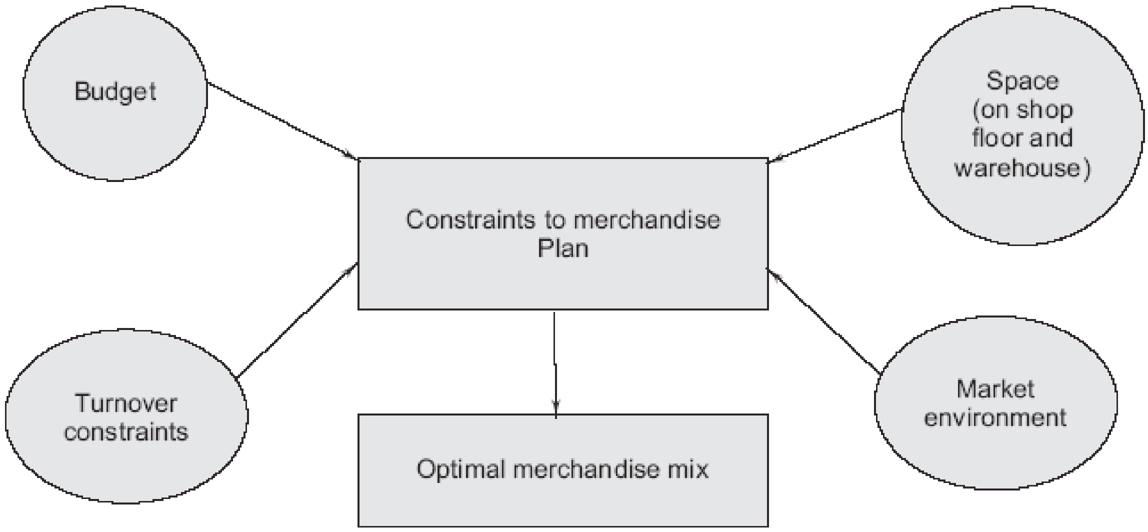

**Model Stock Plan**

- Identify the attributes considered by the customer in purchasing the product
- Focuses on features or attributes and availability in terms of sizes and brands (Pantaloon focuses on men's and women's wear, varied sizes and brands)
- Identify number of levels under each attribute

- List levels available in respective product category on offer to target segment in view of preferences and similar offerings of competitors
- Allocate total rupees or units to respective product categories

An acid test for a retailer planning for the optimal merchandise mix (includes ordering cost, transportation, and stocking cost)

**Constraining Factors**




**Types of Suppliers**

- Manufacturers & primary producers
- Wholesalers
- Agents
- Other retailers
- Government & semi-government sources

**Category Management**

- Category management: process of managing a retail business with the objective of maximizing the sales and profits of a category rather than the performance of individual brands or models
- Advantages:
    - Increased sales
    - Reduced inventory management
    - Improved route and warehouse management

**Merchandise Management Planning**

- Specialty retailers
- Grocery and food retailing
    - Fixed cycle replenishment
    - Continuous replenishment
- Merchandise Performance Evaluation
- ABC Analysis
- Sell-though analysis

The display method modifier is used to indicate that a method's return value is to be displayed on a form or a report.

If you want users to edit the value in the control, use an edit method. Use the display modifier on methods in the following:

- Table methods
- Form methods
- Form data source methods
- Report methods
- Report design methods

Write your display methods on a table. You can use the same code in several forms or reports. Display methods are called each time the form is redrawn. They should not contain complex and time-consuming calculations.

## Create a Display Method

To create a display method, place the display keyword immediately in front of the method's return type. For example:

Display methods must have a return type. The return value is typically a calculated value (for example, a sum). For an example, see How to: Add a Control to a Form.

There should no parameters in a display method unless it is on a form data source where you must include the data source as a parameter. For example: display Invent Qty accumulated (Inventory Budget)

To use a display method on a form or report control, the control and the return type of the method must have identical types. For example, if you have a Real Edit control on your form, the display method you are using must return a value of type real.

Add the display method to a form control.

1. Set the Data Source property for the control to the data source that contains the method.

If you do not set the Data Source property, the system assumes that the method has been defined on the form.

2. Set the Data Method property to the name of the method.

You might also want to set the Extended Data Type or Array Index properties:

- If the Extended Data Type property is set, formatting, Help text, and so on are inherited from the type specified here.
- If the display method returns an array, set Array Index to 0 to indicate that all array elements are to be shown in the control. If, for example, you set it to 2, only array element number two is shown.

Add a display method to a report control.

1. Set the Table property for the control to the table that contains the method.

If you do not set the Table property, the system assumes that the method has been defined on the report—the report design.

2. Set the Data Method property to the name of the method.

**Bottom of Form**

A display method is not a physical field in a table but rather a method of displaying information from another table or source. It appears like a “normal” field and it can be used in forms and reports.

**Stereoscopy** (also called **stereoscopic** or **3-D imaging**) refers to a technique for creating or enhancing the illusion of depth in an image by presenting two offset images separately to the left and right eye of the viewer. These two-dimensional images are then combined in the brain to give the perception of 3-D depth. Besides the technique of free viewing, which must be learned by the viewer, three strategies have been used to mechanically present different images to each eye: have the viewer wear eyeglasses to combine separate images from two offset sources, have the viewer wear eyeglasses to filter offset images from a single source separated to each eye, or have the light source split the images directionally into the viewer’s eyes (no glasses required; known as Auto stereoscopy).

**Stereoscopy** creates the illusion of three-dimensional depth from images on a two-dimensional plane. Human vision uses several cues to determine relative depths in a perceived scene. Some of these cues are:

- Stereopsis
- [Accommodation of the eye]
- Occlusion of one object by another
- Subtended visual angle of an object of known size
- Linear perspective (convergence of parallel edges)
- Vertical position (objects higher in the scene generally tend to be perceived as further away)
- Haze, desaturation, and a shift to bluishness
- Change in size of textured pattern detail

All the above cues, with the exception of the first two, are present in traditional two-dimensional images such as paintings, photographs, and television. Stereoscopy is the enhancement of the illusion of depth in a photograph, movie, or other two-dimensional image by presenting a slightly different image to each eye, and thereby adding the first of these cues (stereopsis) as well. It is important to note that since all points in the image focus at the same plane regardless of their depth in the original scene, the second cue, focus, is still not duplicated and therefore the illusion of depth is incomplete.

Many 3D displays use this method to convey images. It was first invented by Sir Charles Wheatstone in 1838. Wheatstone originally used his stereoscope (a rather bulky device) with drawings because photography was not yet available, yet his original paper seems to foresee the development of a realistic imaging method. For the purposes of illustration I have employed only outline figures, for had either shading or colouring been introduced it might be supposed that the effect was wholly or in part due to these circumstances, whereas by leaving them out of consideration no room is left to doubt that the entire effect of relief is owing to the simultaneous perception of the two monocular projections, one on each retina. But if it is required to obtain the most faithful resemblances of real objects, shadowing and colouring may properly be employed to heighten the effects. Careful attention would enable an artist to draw and paint the two component pictures, so as to present to the mind of the observer, in the resultant perception, perfect identity with the object represented. Flowers, crystals, busts, vases, instruments of various kinds, &c., might thus be represented so as not to be distinguished by sight from the real objects themselves. Stereoscopy is used in photogrammetric and also for entertainment through the production of stereogram. Stereoscopy is useful in viewing images rendered from large multi-dimensional data sets such as are produced by experimental data. An early patent for 3D imaging in cinema and television was granted to physicist Theodor V. Ionescu in 1936. Modern industrial three-dimensional photography may use 3D scanners to detect and record three-dimensional information. The three-dimensional depth information can be reconstructed from two images using a computer by corresponding the pixels in the left and right images (e.g.,. Solving the Correspondence problem in the field of Computer Vision aims to create meaningful depth information from two images.

**Visual Requirements**

The method we use to display the data definitions is the subject of this study. In the past, we have created screen shots of each window that the user can click on to display pop-up definitions. While this method provides the advantage of a visual correspondence between the window and the location of the definition, we also saw the following disadvantages:

- The graphics are time-consuming to create and update, and increase help system development time.
- To minimize the need to scroll the Help window, we reduce these graphics, which gives them a "fuzzy" appearance. Clients don't always like this look, though it provides a strong visual clue to users that they are looking at help, not at the application.

Because of these disadvantages, we decided to explore alternative display methods for this information.

**The Application**

The application was developed using Visual Basic, and consisted of an instruction area and a display area. The instruction area told the participants what to do. The display area showed pictures of windows, one at a time.

**Fashion Merchandising**

If you keep up with the fashion industry, you may pride yourself on being able to recognize dozens of fashion designers. However, can you name even a single merchandiser?

Because merchandisers work behind the scenes, it is sometimes difficult to understand how large of a role they play in the fashion world. The most basic definition of fashion merchandising is that it is the process of getting fashion from the designer to the consumer. If you have a flair for creativity and knack for business, but you're not interested in becoming a fashion designer, merchandising management may be the perfect way for you to break in to the fashion industry.

For example, merchandisers, not designers, are the ones who usually determine which new fashions will be produced and eventually become popular. They are the ones who make most of a retail outlet's purchasing, advertising and financial decisions. And, by simply laying out their stores, merchandisers affect your purchasing decisions on a daily basis.

***Fashion Merchandising is Purchasing***

One of the most common decisions merchandisers make is which products they should sell in their stores. Purchasing can be tricky, because if a merchandiser takes a chance on a product that none of his customers end up buying, he'll have to slash prices to move that unwanted merchandise. To make as much profit as possible, merchandisers must analyze data from a number of sources and accurately predict what consumers will want months down the road.

***Fashion Merchandising is About Display***

Once merchandisers purchase their products, they must display them in a way that attracts attention from consumers. This isn't just about creating a window display, although that's important. It involves understanding your store's traffic patterns and your consumers' psychology. One of the most common fashion merchandising display tricks, for example, is moving the clearance or sale section to the back of the store. By doing this, merchandisers make consumers walk past all the attractive new merchandise to get to the deals.

***Fashion Merchandising is About Marketing***

Marketing plays a huge part in merchandising.

Some examples of marketing that merchandisers must consider are:

- In-store promotions
- Print advertisements
- Social media
- Price setting
- Magazine articles
- Fashion shows

Merchandisers must have excellent communication skills, a solid understanding of their products' potential customers, and an ability to use the latest promotional techniques to get the most out of their marketing.

Fashion merchandising brings together both business and fashion; combining the right and left brain into one function. Fashion merchandisers are creative, but in addition they must also be knowledgeable in various marketing strategies and techniques, as well as a keen business sense.

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## Lesson 2.4 - Finance in Retailing

### Learning Objectives

- Know the financial aspects in retailing
- Understand Accounting Processes, Apply accounting methods & be aware of accounting soft wares
- Explain Strategic Cost Management and Management of obsolete goods

### Introduction

As a 'new normal' in consumer habits and preferences emerges from the global recession, both the retailing and consumer finance industries will be challenged to adapt to evolving conditions. The opportunities and challenges present in the evolving alliance between the global consumer finance and retailing industries as well as the various strategies integrating retail that are available to consumer finance players is discussed below.

**Retail Lease**

Retail leasing system is a comprehensive remedy for open operating lease transactions in widely spread retailing product business of any organization. A well decided support retail leasing module can tackle lending finance based on different repayment structures options.

**Retail finance with the help of Term Deposits**

To tackle loans against term deposits, renewals of term deposits and premature termination of term deposits of both corporate and individual clients, this term deposit module is very helpful. It can also be tailor made to meet specific requirements of the user due to the presence of background accounting in to it.

**Retail finance by Loans Against Shares**

To keep track of interest and principal repayments of loan that advances against market shares, by way of on-going valuation of securities and subsequent triggering off and of margin cell as per requirement, is an important aspect of the loan against shares system, which also provides help in periodic risk monitoring.

**Organizations involving Retail finance**

There are two main financial bodies which are playing key role in retail finance sector.

***Retail Finance by Public Sector and Private Banks***

Banks are very active in this sector; moreover one can say that there is virtual war among banks in this segment. While practicing this procedure, many high profile banks ignore the ethics to beat the competitor without taking into account the liabilities of borrower to their previous lenders, taking into possession necessary documents and submission of relevant mortgages.

***Retail Finance by Other Private Financial Institutions***

Major finance agencies are jostling with one other to finance retail clients with assorted financial offers, thereby ignoring ideal financing procedure while gaining attention of clients. A disaster is impending in the retail sector, if adequate proper practice is not implemented by the finance institutions in this sector.

**Understanding the Factors and the Implications**

Let us consider an organization that is entering into retailing business, earlier it was a manufacturing company, to increase their turnover they are looking forward to start a retail venture. Before you start any operational activity, it is very important to understand the various aspects that make retailing different from any other business format. There can be various fields that have different ways of functioning when it comes to retailing.

Understanding retail business and the relevant effects on financial management

The key success elements of Retail Business that makes it different from any other business line are as follows:

- Empathy / Service to customers (understanding consumer needs and behaviour)
- Product Availability at the Retail Store
- Product Quality
- Product Visibility
- Ordering Frequency (managing supply from suppliers in an efficient way)

The functional departments in retailing which are similar to that of manufacturing are:

- Human Resources
- Finance management
- Purchase and Procurements
- Audit and Accounts
- Cash Handling
- IT System

Having understood the relevance of retailing and its unique implications on finance management, the next step that goes in is identifying the current position of an organization in retailing scenario. Any company needs to identify the phase through which it is going and understand Various aspects that can affect the phase it is going or may be going through.

**Phase 1**

During this phase of a venture, the organization is more of an idea. The sources to provide funds are few, but expenditure is usually high as the internal selling of the idea, developing financial plans and gathering resources for operations requires a lots of capital investment.

**Phase 2**

This phase comes when your organization begins to deliver its products or services, you see losses because initial sales does not generate volumes and sufficient profits to cover initial cost and expenses.

**Phase 3**

This is a challenging phase but easier than the initial phase, in addition you get more rewards in this phase and the company becomes profitable and demand grows rapidly.

**Role of Financial Management in Retailing**

Role of Financial Management in retailing is very critical. Retailing involves a lot of finance investment in terms of merchandise, real estate, infrastructure building investments, human resources which needs to be managed and optimised for the better operational efficiency and a healthy ROI (Return on Investment). Therefore it becomes important to understand the various dimensions of finance management as played out in the retail scenario.

Thus managing your finance decides most critical aspects of business plan like:

- Budget planning
- Performance measure
- Financial Management Issues in Retailing
- Retail Operations
- Resource allocation
- Future business estimation
- Analysing present business

**Accounting Methods**

The capital investment decision combines many aspects of accounting and finance. A number of business factors combine to make business investment perhaps the most important financial management decision. Further, all departments of a firm—production, marketing, logistics, and soon—are vitally affected by the investment decisions; so all executives, no matter what their primary responsibility, must be aware of how capital investment decisions are made and how to interact effectively in the processes.

**Investment Analysis**

The broad application of investment analysis techniques makes these tools germane to a wide variety of corporate investment decisions. A four-phase approach to investment analysis, along with a successful implementation, characterizes a value increasing Investment program. Each organization also imposes managerial directives designed to balance evaluation and control with analytical appropriateness.

**Applications of Investment [Capital Expenditure] Analysis**

Capital expenditure analysis represents the traditional capital investment analysis (also referred to by some as capital budgeting). Capital expenditures include investments in equipment and plants. These expenditures may reduce production costs, reduce working capital investment, speed production, expand production capacity, or enhance product quality. Incremental cash flows are used to measure investment results.

Investment analysis can also be applied to business investments that are treated as expenses, such as the investment in an advertising campaign or research and development. Thirty-second commercials run to lakhs of rupees. Individual advertisement campaigns can cost millions. Although these expenditures are treated as expenses (period costs) and not capitalized (included on the balance sheet), these transactions involve sizable expenditures that ultimately must provide economic returns.

New product introductions also require rigorous analysis. New products require investment in equipment and marketing expenses (advertising and promotions). Before embarking on a new product, an investment analysis captures the projected sales, income and cash flows and determines the economic viability of that product.

In the "new economy," many companies invest heavily in information technology. Whether it is technology aimed at the Internet and a changing business model or the implementation of an upgraded enterprise wide solution such as an enterprise resource planning (ERP) system, companies are embracing technology and significantly investing in it. Investors and senior managers demand a return on this investment. The traditional investment analysis techniques provide a useful evaluation framework.

**4 Phases of a Successful Capital Investment Program**

While nothing can guarantee the success of corporate investments, a four-phase approach increases the likelihood of success. The four phases are:

- Planning
- Project or capital evaluation
- Status reporting
- Post completion reviews Of course, successful implementation is paramount to a successful investment.

***Capital Expenditure Planning***

The planning phase originates with the strategic financial plan. In a strategic financial plan, capital expenditures are estimated in total with limited supporting details or "major" projects may be specifically identified with minor capital expenditures estimated in total. Capacity reviews augmented with facilities reviews and merged with new product ideas identify future capital investment needs. Advanced identification leads to advanced planning and evaluation.

Capital expenditures are broken into four categories for planning purposes:

- Cost savings
- Capacity expansion
- New products
- Miscellaneous

At the time when the strategic financial plan is prepared, longer-term capital expenditures have not been detailed. Funds are included in the strategic financial plan without all the necessary details in the outer years. The advanced planning leads to a more detailed annual budget.

Good capital planning and budgeting will improve the timing of asset acquisitions and the quality of assets purchased. Since the production of capital goods involves a relatively long work-in-process period, a year or more of waiting may be involved before the additional capital goods are available. Another reason for the importance of capital budgeting is that asset expansion typically involves substantial expenditures. A firm contemplating a major capital expenditure program may need to plan its financing several years in advance to be sure of having the funds required for the expansion.

***Capital Evaluation and Authorization***

Plan or budget identification of a capital project usually is not authorization to proceed with the project. Authorization (or acceptance) of a project happens during the evaluation phase, which is also called the project approval phase.

While serving a vitally important financial and economic function, a good investment analysis process possesses similar managerial and organizational qualities as a good strategic planning process. Strong investment evaluation and authorization:

- Facilitates communication among the senior executives of an organization
- Sets a business direction
- Prioritizes opportunities and requirements
- Establishes business performance standards and objectives

Significant investment analysis involves many areas within an organization. A new product decision involves research and development, marketing, sales, engineering, production, logistics, finance, human resources, legal, corporate communications, etc. All areas of the organization need to be involved in the decision process, albeit to varying degrees. Even in a simple equipment replacement analysis championed by manufacturing and engineering, marketing and sales must be involved to provide consistent product projections.

To facilitate the investment analysis process, a capital authorization request includes several supporting sections and or schedules:

- Summary cover page
- Decision case cash flow assumptions
- Decision case cash flow amounts
- Decision case net present-value analysis
- Project description
- Sensitivity and/or scenario analysis
- Investment components, potential vendor, and cost basis
- Quarterly expenditure budget

The interesting thing about summary page is that it supports the collaborative nature of capital investment analysis, by providing numerous areas to capture all the appropriate signatures: project originator, project sponsor, analyst/engineer who completes the capital authorization request, and of course management. Not all the signatures are necessary for every project. The form includes administrative header and identification information, an abbreviated project description, budget information, project anticipated expenditure summary, numerous financial indicators, and, of course, the signatures.

The project description includes a full and complete write-up of the project, its rationale, justification of the key assumptions, alternatives considered and rejected, “fit” with strategic objectives, details of budget inclusion, and key technical data, if appropriate. Sensitivity and scenario analysis examine the degree to which changes in key assumptions affect the net present value. A detailed list of equipment components and potential vendors is provided for technical (operational) consideration. The cost basis is provided to understand if the expenditure estimate is a vendor quote (little volatility) or an estimate with maybe significant volatility. Finally for detailed budgeting, including a detailed financing budget, the final schedule of the capital authorization request documents anticipated expenditures by quarter.

***Capital Status Reporting***

After project evaluation and management approval, a project manager is assigned to implement the project on (or below) budget and on (or before) schedule. Status reporting tracks the project investment. This process reports the total budgeted amounts, project spending, and project commitments (signed contracts that have not been billed by the vendor). By using this report, the project manager can track the project's initial investment compared to the authorized approval. By using a summary status report that consolidates a number of project status reports, senior management can monitor the implementation progress of all projects.

***Post Completion Reviews***

Post completion reviews are an often-overlooked phase of capital investment. Even companies that conduct post completion reviews often consider this to be their weakest phase of the capital expenditure process. Post completion reviews are conducted any time (1 year, 3 years, or whenever) after the project is completed.

The review compares the project's original approved cash flows and economic evaluation indicators with the cash flows and indicators based on updated operating performance and information. That is, actual project costs and investment returns are compared to the projected investment estimates when the project was approved. In the case of a 3-year review, 3 years of actual performance are substituted for the first 3 years of projected performance. Finally, the cash flows for the remaining years are re-estimated, given new information and current performance. Based upon this combination of actual investment, current performance, and re-forecasted future performance, the economic evaluation indicators are recalculated and improvement or shortfalls addressed.

Post completion reviews are excellent learning tools for the organization. However, they are time-consuming, provide little immediately "actionable" guidance, and continue to incorporate projections.

Nonetheless, post completion reporting remains a valuable learning tool from which judgments can be made about future capital evaluations, requests, and authorizations.

**The Investment Process**

The investment process begins by projecting operating cash flows for a potential investment. The projected cash flows are the basis upon which capital investment techniques are applied and the investment efficacy determined. The major capital investment evaluation techniques include:

- Payback period (PBP)
- Net present value (NPV)
- Internal rate of return (IRR)
- Terminal rate of return (TRR) or modified internal rate of return (MIRR)

Additional techniques include:

- Discounted payback period (DPBP)
- Profitability index (PI)

Financial performance metrics are viable metrics used to set objectives and performance standards, benchmark against other organizations, and manage the business, but they are inappropriate measures for investment decision making. Accounting-based performance measures (including accounting based rates of return) differ greatly from economic rates of return.

While accounting metrics can result from future financial statement projections, the nature of the accounting returns differs from that of the economic returns.

The major differences are summarized:

- Accounting returns are determined for discrete, single time periods (month, quarter, year, etc.) while economic returns consider a continuous time frame over multiple periods. Accounting returns are based on income (accrual) while economic returns center on cash flows.

- Accounting returns can vary widely over the life of an asset as the asset depreciates, since accounting returns use historical book values.

**Major Investment Evaluation Techniques**

The point of capital budgeting—indeed, the point of all financial analysis—is to make decisions that will maximize the value of the firm.

The capital budgeting process is designed to answer two questions:

- Which among mutually exclusive investments should be selected?
- How many projects, in total, should be accepted?

When one is comparing various capital budgeting criteria, it is useful to establish some guidelines. The optimal decision rule will have four characteristics:

- It will appropriately consider all cash flows.
- It will discount the cash flows at the appropriate market-determined opportunity cost of capital.
- It will select from a group of mutually exclusive projects the one that maximizes shareholders' wealth.
- It will allow managers to consider each project independently of all others. This has come to be known as the value additively principle.

Capital investment decisions, which involve commitments for large outlays whose benefits (or drawbacks) extend well into the future, are of the greatest significance to a firm. Decisions in these areas, therefore, have a major impact on the future well-being of the firm. This post focused on how capital investment decisions can be made more effective in contributing to the health and growth of a firm and enhance shareholder value. The discussion stressed the development of systematic procedures and rules throughout all four phases of capital investment.

Four commonly used procedures for ranking investment proposals: payback, net present value, internal rate of return, and terminal rate of return:

Payback is defined as the number of years required to return the original investment. Although the payback method is used frequently as a simple rule of thumb, it has serious conceptual weaknesses, because it ignores the facts that (1) some receipts come in beyond the payback period and (2) a dollar received today is more valuable than a dollar received in the future.

Net present value [NPV] is defined as the present value of future returns, discounted at the cost of capital, minus the cost of the investment. The NPV method overcomes the conceptual flaws noted in the use of the payback method.

Internal rate of return [IRR] is defined as the interest rate that equates the present value of future returns to the investment outlay. The IRR method, like the NPV method, discounts cash flows. However, the internal rate of return method assumes reinvestment at the IRR.

Terminal rate of return (or modified internal rate of return) is the interest rate that equates the cost of the investment with the accumulated future value of the intermediate cash flows that are assumed to be reinvested at an appropriate risk-adjusted cost of capital. The TRR explicitly incorporates an opportunity cost of capital as a reinvestment rate.

In most cases, the three discounted cash flow methods give identical answers to these questions:

- Which of two mutually exclusive projects should be selected?
- How large should the total capital budget be?

However, under certain circumstances, conflicts may arise. Such conflicts are caused primarily by the fact that the IRR method makes different assumptions about the rate at which cash flows may be reinvested, or the opportunity cost of cash flows. The assumption of the NPV and TRR methods (that the opportunity cost is the cost of capital) is the correct one. While the terminal rate of return is an improvement on the internal rate of return, it may lead to an incorrect choice of mutually exclusive projects if the sizes of the investments are significantly different. Accordingly, my personal recommendation is to use the NPV method to make capital investment decisions.

Relevant, nominal, incremental, after-tax cash flow development is the backbone for financial investment analysis. However, just as a strong strategic planning process has strong financial considerations, which also enable managerial processes, so does a strong capital investment process and its evaluation and authorization phase.

A strong evaluation and authorization phase:

- Facilitates communication among the senior executives of an organization
- Sets a business direction
- Prioritizes opportunities and requirements
- Establishes business performance standards and objectives

Capital expenditures include heavy investments that public officials make to keep the economy running. These cover infrastructure expenses, such as the construction of roads and railways. In the corporate context, investing in long-term initiatives is at the top of the list, especially when it comes to drawing up strategies to outmatch the competition.

**CAPEX Planning**

A capital expenditure is an investment in a long-term asset. In accounting terminology, "long-term asset," "capital asset," "fixed asset" and "tangible resource" are synonyms. Fixed assets generally provide the economic fuel for long-term profitability. As a result, top management ensures that capital expenditures are not on the back burner, especially when it comes to engineering the short-term strategies necessary for a company's long-term financial success.

**Planning**

Capital expenditure planning consists of methodologies and procedures that a company relies on to review its operating needs and assess its long-term business requirements. An essential part of planning is evaluating a firm's needs, depending on where senior executives' priorities lie. Clearly reviewing existing fixed assets and evaluating future requirements ensures that the firm doesn't bite off more than it can chew. In other words, a methodical approach to capital planning enables a company to engage only in initiatives it can afford. Planning steps include business need evaluation, economic conditions, implement requirements and personnel resource planning.

**Significance**

Planning is a key step in a firm's decision-making processes, especially those relating to long-term profitability. By reviewing its fixed-asset needs on a regular basis, top management ensures that the firm has adequate resources to thrive and stay ahead of rivals.

**Financial Reporting**

Capital expenditures involve specific accounting entries and financial-reporting procedures at the end of each quarter and year. In the corporate setting, bookkeepers work under the supervision of senior fixed-asset accountants and financial analysts, learning the ropes of the profession. To record a tangible-asset purchase, a corporate bookkeeper debits the "property, plant and equipment" account and credits the vendors payable account. Tangible assets are also subject to depreciation, a practice that helps companies allocate the costs of fixed resources over several years. To record depreciation expense, the bookkeeper debits the depreciation expense account and credits the accumulated depreciation account. Financial accountants report capital expenditures in a corporate balance sheet, also known as a statement of financial position or statement of financial condition.

**Tools**

Capital expenditure strategies require technological acumen, especially when it comes to gauging the operating effectiveness of state-of-the-art tools and accessories that make up heavy equipment and machinery. In other words, these strategies help corporate leaders think about maintenance plans when considering long-term asset purchases. To draw up effective capital spending plans, a company relies on tools such as enterprise resource planning software, operating system software and information retrieval or search applications. Other tools include computer-aided design software, defect-tracking programs and Financial Accounting, Analysis and Reporting Software, also called FAARS.

## Planning Vs. Controlling Managerial Accounting

Managerial accounting encompasses more than reporting numbers. Managerial accounting includes partnering with other managers and departments and providing tools and reports to those areas. The managerial accountant assists with planning and controlling each department.

## Planning Purpose

Managerial accountants plan future activities for the company in order to maximize the financial benefits received and minimize financial consequences. Financial benefits include revenues and gains on fixed asset sales. Financial consequences include expenses, capital expenditures and income tax liability. Financing activities require interest payments from the company. Managerial accountants work with management to minimize interest requirements.

## Planning Activities

Planning activities include budgeting, capital expenditure analysis and production planning. Managerial accountants meet with department managers throughout the company to determine realistic expenses for the following year. Together the managerial accountant and the department manager evaluate which expenses continue to exist, which should be eliminated and which need to be revised. Equipment updates require capital expenditure analysis to determine if each update makes sense financially. Managerial accountants analyze capital expenditures using the payback method, the internal rate of return method and the net present value method. The results are shared with managers for final decision making. Managerial accountants collaborate with the plant manager to create a production plan that accounts for meeting customers' needs while minimizing costs on additional inventory.

## Controlling Purpose

Management accountants control department activities in order to evaluate the performance of each area. This allows management to determine if the actual activities tie in with the planned activities for each department or each capital expenditure.

**Controlling Activities**

Managerial accountants control company activities by comparing actual results with predicted results. Management accountants prepare monthly budget reports by listing actual expenses and budgeted expenses then calculating the difference. Large differences require further investigation by the management accountant to determine why the difference occurred. Differences due to miscalculations in the budget or changes in economic factors require a revision in the budget going forward. Temporary differences, such as a temporary equipment

**The Definition of Capital and Operating Budgets**

At the top of the budget hierarchy in most companies and organizations stand two major kinds of budgets, a capital budget and an operating budget. These two kinds of budgets do not overlap: they handle distinctly different spending categories. Capital and operating budgets, moreover, are built through different budgeting processes, by different managers, and they use different criteria for prioritizing and deciding spending.

**Capital Spending vs. Operating Expenses**

Whether or not expenditure qualifies as a capital expenditure (CAPEX) or as an operating expense (OPEX) depends on what is purchased, what it will be used for, and also upon the country's tax laws? Companies and organizations normally designate specific criteria that must be met for an acquisition to qualify as "capital," such as a minimum useful life (e.g., one year or more) and a minimum purchase price (e.g., $1,000).

The tax authorities also have a say in what may be considered a capital expense because capital items go onto the company's balance sheet as assets, and on the income statement they create a depreciation expense for each year of the asset's depreciable life. This depreciation expense lowers reported income (profit), thereby creating a tax savings for each of these years. Spending on operating expenses, by contrast, impacts reported profit and taxes on earnings only in the single reporting period they are incurred.

Deciding what can and what cannot be called a capital expenditure, therefore, often requires knowledge of local policy and local tax laws. Some expenditure for business start up costs, for instance, can be capitalized in the United States and some other countries, but not all countries. In some localities, the costs of professional services (such as systems integrations services) can, under some conditions be "bundled" into the full capital costs of acquiring assets (e.g., a large IT system).

Acquisitions that typically meet company and government criteria as "capital assets" typically include such things as purchased:

- Vehicles
- Factory machinery and production equipment
- Store equipment and furnishings
- Laboratory equipment
- Large IT systems (Hardware and/or Software)
- Buildings
- Office Furniture and Office Equipment.

Operating budgets, by contrast, address spending on predictable, repeatable costs for items or services that are not registered as capital assets and are not depreciated. That means the company charges the full amount against income during that reporting period, and takes all tax consequences for it during that period.

Operating budgets typically address spending for such things as:

- Employee salaries/wages and overhead
- Office space rental and utilities costs
- Employee travel and training expenses
- Marketing communication / advertising expenses
- Telephone and internet services
- Outside consultant fees

Note that there is also a major income statement category called "Operating Expenses," which appears beneath the gross profit line, and above Extraordinary Items and Financial Income/Expenses. That means that income statement "Operating Expenses" items do not impact reported gross profit or gross margin. When used in the budgetary sense, however, the term "operating expense" can include expense items above the gross profit line. Wages for direct labor in product manufacturing, for instance, are planned as operating expenses in the Manufacturing operating budget. These wages can appear on the income statement as part of "Cost of Goods Sold," not as an income statement "Operating Expense."

**Capital Budgets**

Capital budgets plan spending for capital expenditures (CAPEX), the acquisition of capital assets usually long lasting, expensive acquisitions that goes onto the company's balance sheet as assets. On the company's income statement, capital assets contribute to depreciation expense throughout their depreciable lives.

The capital budget typically results from a capital review process by which a company selects from potential, proposed mid-range or long-range capital asset investments.

When deciding which capital investments to make, companies usually use a combination of formal financial criteria, including net present value (NPV), internal rate of return (IRR), return on investment, and payback period. Potential investments are also evaluated with respect to strategic consistency and risk. And, because capital budgeting is designed to maximize value, investments should be undertaken only when expected returns are equal to or greater than the average cost of capital.

Capital budget planning is usually accomplished through an organization's Budget Office or through a Capital Review Committee, which establish their own criteria for prioritizing proposals and for setting the capital budget ceiling. As the above suggests, an entity's capital budget and budgeting process are usually quite distinct from its operating budget and budgeting process. The two kinds of budgets represent different expenditures, are planned through different processes, use different criteria, and may involve different managers.

In order for a specific expenditure to be funded from a capital budget, its sponsors may have to justify it with a formal business case analysis, including estimates of NPV, IRR, payback period and other financial criteria. If the company has limited funds for capital spending, moreover, the potential capital expenditure may have to enter a competitive capital review process, where all requested expenditures are compared on the same financial criteria and only the most favorable receive funding.

Those who propose or request funding for capital expenditure will want to be sure they understand

- The organization's criteria for prioritizing capital expenditure proposals.
- The timing of the current and next capital budget cycles.
- The current or expected capital budget ceiling.

**Operating Budgets**

Generally, an operating budget is a budget covering operating expenses (OPEX) for normal operations. Operating expenses can be budgeted and accounted for on a monthly, quarterly, and/or annual basis. Operating budgets are usually fixed through a process different from that used on capital budgets (in some companies, all management above a certain level participate in the process). Operating budgets, once fixed, are usually not changed during the period except maybe for emergency reductions following unexpectedly poor sales results or other disasters. In other words, operating budgets are more often treated as static budgets, rather than flexible budgets.

Operating budgets for a company or organization are especially likely to be organized hierarchically, as in the example near the top of this page. A company's overall operating budget, for instance may be partitioned into operating budgets for different departments (Manufacturing, Marketing, IT, Design Engineering, Customer Services, etc). Each Departmental budget may be further partitioned into budgets for different functions (.e.g., Marketing budgets for advertising, for advertising agency expenses, for marketing events, and so on).

**Cash Budgets**

A cash budget is a tool for planning and controlling near-term spending, normally including both incoming cash flows (incoming revenues) and cash outflows (spending on expenses). In business, the cash budget serves a purpose similar to the check register used by individuals to track deposits and checks for personal checking accounts. From the cash budget, one can see immediately the level of cash on hand and how that will change with spending,

Cash budgets are typically planned with a series of months in view, although they can also show cash revenues and spending on a weekly, quarterly, or annual basis. The distinguishing feature of the cash budget is that it represents actual cash inflows and outflows in the period they occur. This contrasts with the system of accrual accounting which most companies use for their financial reporting, in which receivables and liabilities are reported for the period in which they are incurred, even though the actual cash transactions may occur in another period.

"By moving budgeted levels from one category to another (except that movements from "capital spending" authorizations to "operating expense" cannot be done so easily).

However, if a manager needs to increase his or her overall spending budget total, that normally requires the use of a process called "emergency funding" or request for non-budgeted funds that is presented to the next higher management level. The next higher level may have a budget item where funds specifically are set aside for such contingencies. Or, upon demonstrated need, these funds may have to come from current assets, such as cash on hand or the sale of stock owned for investment purposes.

A budget is a comprehensive, formal plan that estimates the probable expenditures and income for an organization over a specific period. Budgeting describes the overall process of preparing and using a budget. Since budgets are such valuable tools for planning and control of finances, budgeting affects nearly every type of organization—from governments and large corporations to small businesses—as well as families and individuals. A small business generally engages in budgeting to determine the most efficient and effective strategies for making money and expanding its asset base. Budgeting can help a company use its limited financial and human resources in a manner which best exploits existing business opportunities.

Intelligent budgeting incorporates good business judgment in the review and analysis of past trends and data pertinent to the business. This information assists a company in decisions relating to the type of business organization needed, the amount of money to be invested, the type and number of employees to hire, and the marketing strategies required. In budgeting, a company usually devises both long-term and short-term plans to help implement its strategies and to conduct ongoing evaluations of its performance. Although budgeting can be time-consuming and costly for small businesses, it can also provide a variety of benefits, including an increased awareness of costs, a coordination of efforts toward company goals, improved communication, and a framework for performance evaluation.

**Accounting Process**

The accounting process is a series of activities that begins with a transaction and ends with the closing of the books. Because this process is repeated each reporting period, it is referred to as the accounting cycle and includes these major steps:

1. Identify the transaction or other recognizable event.
2. Prepare the transaction's source document such as a purchase order or invoice.
3. Analyze and classify the transaction. This step involves quantifying the transaction in monetary terms (e.g. dollars and cents), identifying the accounts that are affected and whether those accounts are to be debited or credited.
4. Record the transaction by making entries in the appropriate journal, such as the sales journal, purchase journal, cash receipt or disbursement journal, or the general journal. Such entries are made in chronological order.
5. Post general journal entries to the ledger accounts.

*The above steps are performed throughout the accounting period as transactions occur or in periodic batch processes. The following steps are performed at the end of the accounting period:*

6. Prepare the trial balance to make sure that debits equal credits. The trial balance is a listing of all of the ledger accounts, with debits in the left column and credits in the right column. At this point no adjusting entries have been made. The actual sum of each column is not meaningful; what is important is that the sums be equal. Note that while out-of-balance columns indicate a recording error, balanced columns do not guarantee that there are no errors. For example, not recording a transaction or recording it in the wrong account would not cause an imbalance.

7. Correct any discrepancies in the trial balance. If the columns are not in balance, look for math errors, posting errors, and recording errors. Posting errors include:

   - Posting of the wrong amount,
   - Omitting a posting,
   - Posting in the wrong column, or
   - Posting more than once.

8. Prepare adjusting entries to record accrued, deferred, and estimated amounts.

9. Post adjusting entries to the ledger accounts.

10. Prepare the adjusted trial balance. This step is similar to the preparation of the unadjusted trial balance, but this time the adjusting entries are included. Correct any errors that may be found.

11. Prepare the financial statements.

    - Income statement: prepared from the revenue, expenses, gains, and losses.
    - Balance sheet: prepared from the assets, liabilities, and equity accounts.
    - Statement of retained earnings: prepared from net income and dividend information.
    - Cash flow statement: derived from the other financial statements using either the direct or indirect method.

12. Prepare closing journal entries that close temporary accounts such as revenues, expenses, gains, and losses. These accounts are

closed to a temporary income summary account, from which the balance is transferred to the retained earnings account (capital). Any dividend or withdrawal accounts also are closed to capital.

13. Post closing entries to the ledger accounts.

14. Prepare the after-closing trial balance to make sure that debits equal credits. At this point, only the permanent accounts appear since the temporary ones have been closed. Correct any errors.

15. Prepare reversing journal entries (optional). Reversing journal entries often are used when there has been an accrual or deferral that was recorded as an adjusting entry on the last day of the accounting period. By reversing the adjusting entry, one avoids double counting the amount when the transaction occurs in the next period. A reversing journal entry is recorded on the first day of the new period.

Instead of preparing the financial statements before the closing journal entries, it is possible to prepare them afterwards, using a temporary income summary account to collect the balances of the temporary ledger accounts (revenues, expenses, gains, losses, etc.) when they are closed. The temporary income summary account then would be closed when preparing the financial statements.

- Identify that a financial transaction or event has occurred.
- Prepare the source documents for the transaction. (i.e. receipts, invoices and checks)
- Analyze and classify the transaction. Determine; (i) the transaction amount in monetary terms; (ii) the ledger accounts that are affected by the transaction; (iii) the account(s) to be debited and the account(s) to be credited.
- Record the transaction details into the appropriate journal. A journal records the debit and credit details of a transaction in a chronological (date and time) order. It also records the account name and the account number that is allocated by the chart of accounts. Common journals are; cash receipts journal, cash payments (disbursement) journal; sales journal; purchased journal and general journal.

- Post the details from the journals to the general ledger where all the accounts are kept. The summary details are transferred (posted) from the journals to the general ledger. Ledgers are kept by account types. (i.e. Electricity, Cash, Accounts Payable)

Steps taken at the end of the accounting period

- Prepare a trail balance. The trial balance lists and summarizes all the general ledger account balances to ensure that the total of the debit balances equals the total of the credit balances. The sum total is not meaningful. The important thing is simply that the totals of both columns (debits and credits) agree. A balanced trial balance ensures that there were no recording errors. However, it does not guarantee that the amounts are correct. (I.e. the right amounts may have been posted to the wrong accounts). Correct the discrepancies identified from trial balance if required.

- Calculate and make adjusting entries in the journals. Adjusting entries need to be made at the end of each accounting period to match the revenue earned in that period with the expenses incurred in earning it. These adjustments are called accruals and deferred items in accrual accounting. These entries are also journalized and posted to the general ledger. The source document used to record adjusting entries is typically a 10 column worksheet.

- Prepare an adjusted trial balance. As part of the 10 column worksheet you will prepare a trial balance of the adjusted entries only. If these are in balance (debit entries = credit entries) then a new adjusted trial balance is compiled as a basis for the financial statements.

- Prepare the Financial Statements. The two main financial statements created are (i) the Statement of Financial Performance (Income Statement) and (ii) the Statement of Financial Position (Balance Sheet)

- Close the temporary accounts and transfer the balances to Owners Equity. Temporary accounts are cleared by transferring the the amounts in them to the income summary account. This account is part of the retained earnings as reported in the Owners' Equity section of the Statement of Financial Position. Temporary accounts are the revenue, expense, dividend, owners drawings accounts as well as other gains or losses made. These temporary accounts begin the next accounting period with a zero balance.

- Prepare the after-closing trial balance. The final trial balance is calculated after the closing entries from the temporary accounts are made. At this point only the permanent accounts (assets, liabilities and owners equity) that make up the Statement of Financial Position appear in the after-closing trial balance.

**Financial Accounting Processes and Systems**

Processes and systems to efficiently manage financial accounting are crucial to success. Key elements include:

- Manage general ledger (GL) with financial controls and procedures, including energy industry standard guidelines (e.g. COPAS)
- Manage accounts payable (AP), including vendor payments, aging, reconciliations, journal entries, tax reporting, etc.
- Manage accounts receivable (AR), including invoices, receipts, aging, reconciliations and journal entries
- Facilitate multiple payments, types, receipt types and journal entries
- Consolidated financial reporting, ad-hoc reporting and online query
- Automated workflow processes to enforce control requirements
- Support either elected accounting method - successful efforts (SE) or “full cost” (FC)
- Compliance with regulations and guidelines (e.g. GAAP, FASB, SOX, SEC, etc.)

**Accounting Software**

Accounting software is application software that records and processes accounting transactions within functional modules such as accounts payable, accounts receivable, payroll, and trial balance. It functions as an accounting information system. It may be developed in-house by the company or organization using it, may be purchased from a third party, or may be a combination of a third-party application software package with local modifications. It varies greatly in its complexity and cost.

**Importance of Accounting Software**

To manage business accounting data manually can be time consuming and complicated process. This software is useful for various business industries to manage complete business records at one place. Personal accounting software (popular as home accounting software) easily manages financial details in organized way. Accounting software is useful for all type businessmen and popular as construction accounting software for real-estate industry, medical billing software for billing software medical records for healthcare industry and other common business firms.

Freeware billing software streamlines your business management process by managing entire accounting details at the one place. We provide business accounting software free of cost to get fair idea of software working useful to manage overall business process. Download free accounting software (or Billing software freeware version) to evaluate the software working features. If satisfied, feel free to order for software licensed version.

Invoice freeware is used in small offices and large business industries that help you to make bill for different companies. Some companies provide accounting software online for a monthly service fees but small business free accounting software is suitable solution to manage entire business needs without any monthly charges.

Review accounting software will help you to understand the accounting program features and functionality. Use a demo version of free invoicing software for a trial period before making decision to purchase licensed version at cost-effective price.

You can easily download free accounting software for small businesses that is the perfect solution to manage business process in simplified and easiest way. Billing software free download application is right for you to handle entire business accounting tasks at one place. Small business accounting software free (or invoice software free download) for trial is the best solution for maintaining company accounting details in computerized manner.

**Attractive Features of the Accounting Software**

- Top accounting software easily manages inventory details, billing details, purchase order details and sales details of several companies.
- Time & billing software for accountants (useful module in small company accounting software) helps you to improve the performance of the company.
- Accounting software for small business provides to add and delete the detail or records.
- Inventory software for small business is simple to use.
- Inventory software small business (with invoice software freeware download option) is password protected to prevent unauthorized software access.
- Inventory software management program manages stock (inventory) information and generates various business reports.
- Billing management software easily generates business transactions report in simplified way.
- Accounting software business program provides stable solution than online accounting software.
- Accounting software personal facilitates to export created report in PDF and MS excel file format.

The market has been undergoing considerable consolidation since the mid 1990s, with many suppliers ceasing to trade or being bought by larger groups.

**Modules**

Accounting software is typically composed of various modules, different sections dealing with particular areas of accounting. Among the most common are:

**Core Modules**

- Accounts receivable—where the company enters money received
- Accounts payable—where the company enters its bills and pays money it owes
- General ledger—the company's "books"
- Billing—where the company produces invoices to clients/customers
- Stock/Inventory—where the company keeps control of its inventory
- Purchase Order—where the company orders inventory
- Sales Order—where the company records customer orders for the supply of inventory
- Cash Book—where the company records collection and payment

**Non Core Modules**

- Debt Collection—where the company tracks attempts to collect overdue bills (sometimes part of accounts receivable)
- Electronic payment processing
- Expense—where employee business-related expenses are entered
- Inquiries—where the company looks up information on screen without any edits or additions
- Payroll—where the company tracks salary, wages, and related taxes
- Reports—where the company prints out data
- Timesheet—where professionals (such as attorneys and consultants) record time worked so that it can be billed to clients
- Purchase Requisition—where requests for purchase orders are made, approved and tracked

(Different vendors will use different names for these modules)

**Implementations**

In many cases, implementation (i.e. the installation and configuration of the system at the client) can be a bigger consideration than the actual software chosen when it comes down to the total cost of ownership for the business. Most midmarket and larger applications are sold exclusively through resellers, developers and consultants.[citation needed] Those organizations generally pass on a license fee to the software vendor and then charge the client for installation, customization and support services. Clients can normally count on paying roughly 50-200% of the price of the software in implementation and consulting fees.[citation needed]

Other organizations sell to, consult with and support clients directly, eliminating the reseller.

**Categories**

**Personal Accounting**

Mainly for home users that use accounts payable type accounting transactions, managing budgets and simple account reconciliation at the inexpensive end of the market.

**Low End**

At the low end of the business markets, inexpensive applications software allows most general business accounting functions to be performed. Suppliers frequently serve a single national market, while larger suppliers offer separate solutions in each national market.

Many of the low end products are characterized by being "single-entry" products, as opposed to double-entry systems seen in many businesses. Some products have considerable functionality but are not considered GAAP or IFRS/FASB compliant. Some low-end systems do not have adequate security nor audit trails.

**Mid Market**

The mid-market covers a wide range of business software that may be capable of serving the needs of multiple national accountancy standards and allow accounting in multiple currencies.

In addition to general accounting functions, the software may include integrated or add-on management information systems, and may be oriented towards one or more markets, for example with integrated or add-on project accounting modules.

Software applications in this market typically include the following features:

- Industry-standard robust databases
- Industry-standard reporting tools
- Tools for configuring or extending the application (eg an SDK), access to program code.

**High End**

The most complex and expensive business accounting software is frequently part of an extensive suite of software often known as Enterprise resource planning or ERP software.

These applications typically have a very long implementation period, often greater than six months. In many cases, these applications are simply a set of functions which require significant integration, configuration and customization to even begin to resemble an accounting system.

The advantage of a high-end solution is that these systems are designed to support individual company specific processes, as they are highly customizable and can be tailored to exact business requirements. This usually comes at a significant cost in terms of money and implementation time.

**Vertical Market**

Some business accounting software is designed for specific business types. It will include features that are specific to that industry.

The choice of whether to purchase an industry-specific application or a general-purpose application is often very difficult. Concerns over a custom-built application or one designed for a specific industry include:

- Smaller development team
- Increased risk of vendor business failing
- Reduced availability of support

This can be weighed up against:

- Less requirement for customization
- Reduced implementation costs
- Reduced end-user training time and costs

Some important types of vertical accounting software are:

- Banking
- Construction
- Medical
- Nonprofit
- Point of Sale (Retail)
- Daycare accounting (a.k.a. Child care management software)

**Hybrid Solutions**

As technology improves, software vendors have been able to offer increasingly advanced software at lower prices. This software is suitable for companies at multiple stages of growth. Many of the features of Mid Market and High End software (including advanced customization and extremely scalable databases) are required even by small businesses as they open multiple locations or grow in size. Additionally, with more and more companies expanding overseas or allowing workers to home office, many smaller clients have a need to connect multiple locations. Their options are to employ software-as-a-service or another application that offers them similar accessibility from multiple locations over the internet.

**Accounting Soft ware's - Retail**

Advanced Billing and Accounting Management software module gives you a simple, efficient and cost-effective method to gain full control over accounting processes of your organization. Simple and reliable bookkeeping utility is useful accounting software for small businesses organization to meet the exact needs of business in cost effective way.

Comprehensive invoicing and inventory management billing software streamline your business management process with powerful report management of financial billing schedules, company records, stock status, inventory system, customer and vendor records etc on single platform. Inventory tracking software provides simplest way to track the daily transactions of the company. Inventory control software is the best solution to gather and analyze the financial information of the company.

**Billing and Accounting Management Software (Enterprise Edition)**

Professional enterprise edition of Billing and Accounting Software enables you to maintain multiple company records, customer-vendor records, tax related and inventory management information, income and expenses details of your organization with the help of advanced barcode technology. Time saving barcode feature eliminates the manual work by fetching the product information automatically hence no need to spend time and efforts entering the details manually. Highly secure and easy to use official accounting software is best alternate to pen-paper entry and provides more crystal clear visibility of various accounting and billing records. Best accounting software easily automates complex task of managing financial accounting details of the company.

Purchase Order Management Software provides comprehensive business management solution to process, maintain and keep track of entire purchase, sales and inventory tracking activities in any Organization. Invoicing and billing software helps business users to preserve sale/ purchase transaction in easy to use computerized electronic billing format with intuitive interface.

PO database manager tool is helpful for all kind of industries ranging from small or mid level business to large level Firms or Company for effective handling of all Customers, Vendors and Item information in simplified manner. Finance accounting software is the proficient tool to increase productivity, sales and revenue of the company.

Employee Planner Software - Employees time scheduling attendance and payroll software. If you are worried how to manage your employee’s (staff) day-to-day activities, we have the solution for you. So now never think planning for your employee is a tedious task as software will do the planning right now! With the use of Employee Planner Software, you can easily Plan and schedule your employee daily activities and track employee information to staff scheduling without spending a lot of time.

Useful utility for your business organization simplifies daily activities and manage Staff & Employee Events, Attendance Records, Leave Status, Shift Scheduler, Pay Stubs, Tour and Training details resulting in increased productivity and corporate effectiveness. Easily get adjusted in any business frame and provides best and affordable solution to manage your company smoothly.

Comprehensive and easy to use Tour and Training Management Software manage company employee's tour and training scheduling needs in professional and organized way. Best quality program handles complex task of rostering staff member's business trip activities and training programs conveniently.

Other feature that makes software special is password protected functionality that prevents unauthorized users to access the highest standard program.

Barcode Label Maker Software is useful to design and print highest quality scannable bar code images in simplified and easiest way. Now generate any shape and size of printable colorful bar code images, tags, labels, stickers, coupons on your PC in major Linear and 2D bar code fonts.

Company provides barcode label designing and creation software including –

Proficient accounting software: Simple accounting software (popular as business inventory software) is the brilliant program for large to small size business firms. Powerful accounting software for business provides advanced way for managing company employee's details in efficient manner. Accounting software system is fully capable to handle multiple company information at the one place. Robust time and billing software (Popular as business billing software) creates valuable reports including ledger report, sales and purchase order details and other business report in simplified way.

Quick-billing.com accounting software: Accounting software small business (popular as inventory management software) is the best invoice program that helps you to manage sales information, purchase information and item details of the company. Simple to use financial accounting software helps to analyze and integrate the business process in best possible way. Management accounting software (popular as small business inventory software) is the excellent tool to record and process accounting transactions in simplified way. Invoicing billing software (popular as small business billing software) is beneficial for accountants and business managers and other official staff to manage complete business process.

Small accounting software helps in business plan and easily maximizes financial performance of the company. Small business accounting software covers all the features (same as tally accounting software) to record sales/purchase details in simplified way. Invoicing software free application helps to handle financial aspects of your business. By the help of accounting software reviews you can easily evaluate the working of the program. Download free accounting software for small business to test and analyze working features of the software. Free billing software download application helps you to maintain daily tasks and inventory details of company. Use demo free accounting software small business for trial period and if satisfied place order for full version having complete functioning.

Account Software: (AccountPos) will allow the following services among many others.

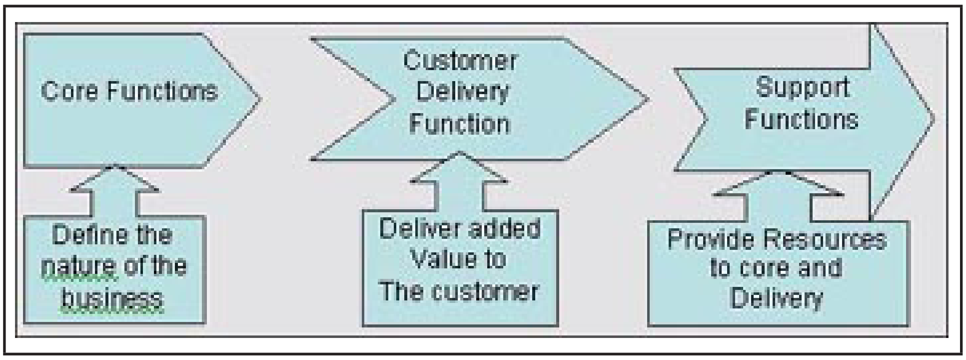
- Track sales,
- Track overheads
- Monitor your purchase ledger
- Monitor your sales ledger
- Monitor staff expenses
- Monitor salaries and expense accounts
- Instantly create invoices
- A host of other services for your company

In short Account Pos account management software will allow you to Organise all of your company`s finances so that they are readily accessible and straightforward to understand - making it a simple matter for your accountants to prepare monthly or quarterly accounts up to and including your annual audit.

## Concept of Strategic Cost Management

### Strategic Cost Management Framework

The Strategic cost management framework provides a clear plan of attack for addressing costs and decisions that affect them. Following are the three core components of this framework.




***Core Functions***

Core functions elaborate on the nature of the business. It answers the very obvious question what type of business are we in? At this stage the company has to clearly identify its courses of actions with respect to strategy planning, research and development, and product development.

***Customer Delivery Function***

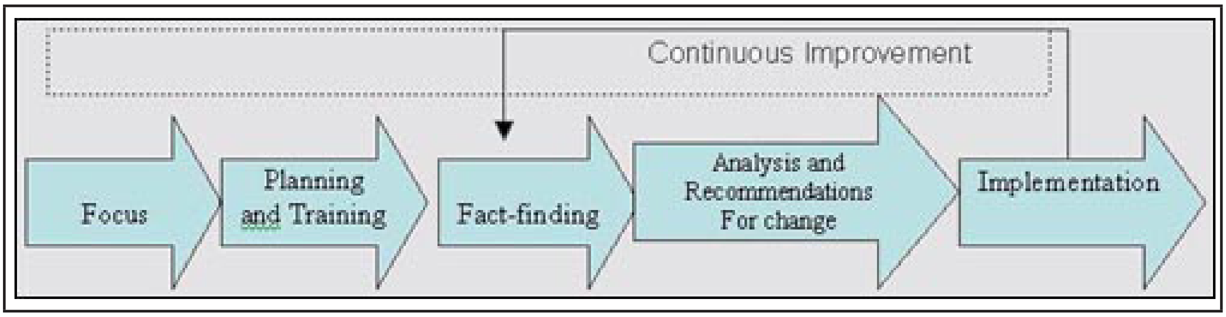
This step emphasizes more on value addition with various activities such as marketing, sales, manufacturing, quality assurance and control, sourcing, procurement and logistics, engineering and maintenance, customer service and technical support etc. Excellence in those activities can create a sort of competitive advantage for the company if it could harness its resources intelligently than its competitors.

***Support Functions***

As the name suggests, to support the core activities of business some secondary activities are to be carried out which includes IT, Finance and Accounting, HR management General administration. These activities will facilitate the performance of the core activities in a way that goals of the business can be accomplished successfully without wasting limited resources. They will also help in synchronizing the different tasks which are to be carried out simultaneously

**Strategic Management Programme Steps**

SCM Programme includes following five steps. These steps can be detailed out as follows:




**2. Focus**

Focus state starts with reviewing the different strategies of the company. Reviewing the strategies will lead to clear identification of performance gaps and this will help to bridge the gap by improving targets already set beforehand. Modifying the targets will lead to developed plan of attack which will foster better internal communication within the organization.

***2. Planning and Training***

Planning plays a crucial role in implementing strategic cost management programme. To implement the planning, a manager should gather very efficient team members and train them accordingly. Setting up of project management structure will facilitate the implementation of strategic cost management by clearly identifying the day to day activities, steering guidance and offering ad hoc assistance.

***3. Fact Finding***

This stage includes the tasks such as data gathering, conducting interview, developing benchmarks, conducting and customer surveys.

***4. Analysis and Recommendations for changes***

Analysis of activities plays a crucial role in ascertaining the cost of the company. It can be done by various strategic cost management analytical tools viz. cost driver analysis, activity-based costing, selective business process reengineering etc. An action plan for proposed change should address the following questions what, who, when how aspects of the activities.

***5. Implementation***

In implementation stage the first task to be done is to define responsibilities and accountability of each individual and controlling i.e. monitoring and corrective action should be the taken at each stage of programme. And this is how the continuous improvement can be achieved. The third, fourth and fifth sate in the above process indicates continuous improvement.

**Key Enablers That Facilitate Strategic Cost Management**

Each individual organization needs to review their various supply needs and supply chains and determine what enablers are of prime importance to their situations. We will discuss an approach to that problem later in the paper. In this section we will discuss a number of generally applicable enablers, some of which are likely to be present in many supply situations. The enablers are grouped by the three phases present in most cost management approaches: analysis and planning, implementation, and ongoing management and control. Some apply to more than one phase and are so listed but discussed only at the first listing.

Analysis and Planning Enablers

Top management support and sponsorship - Without this forget the whole idea of cost management. However, to get this support, top management must understand the value of supply chain management to the bottom line. If management seems reluctant to recognize this from internal efforts alone, cooperative efforts with suppliers and/or customers may help to convince them.

An information system is to capture spending by commodity or service, supplier, and geographical area. Information can be used to: identify opportunities for synergy with other supply chain members in areas such as leveraging spend, pooling knowledge, acquiring/providing/sharing technology, identify areas where transfer of best practices will reduce costs, optimize location and use of resources, such as inventories, in the supply chain, and help to identify total cost drivers.

Identity of total cost drivers - What are all of the elements that make up the total cost in a given supply chain? Total cost drivers may vary by geographical areas and may include items such as logistics, transportation, inventory, lead time, lack of infrastructure, lack of qualified or trained personnel, lack of qualified suppliers, and production impact of particular products or services. Additional drivers that may be present in a global analysis could include tariffs and duties, currency exchange rates, hostile political or geographical environments.

Cost models - If models of major costs in the supply chain are not available, they may need to be developed. Cost models may have to be adjusted by country or region in global supply chain situations. Some techniques for modeling costs include learning curve analysis, experience effect analysis, price productivity analysis, implied set-up cost analysis, should-cost analysis, comparative process analysis, and cost breakdown analysis. Some approaches to cost and price modeling and analysis are presented in Chapter 19 of the current edition of The Purchasing Handbook.

A strategic cost management plan - There must be known cost management objectives and a plan as to how you are going to achieve them. One approach to prepare such a plan is to use a three-step approach that includes: classifying purchases, matching cost analysis tools with the purchase classifications, and focusing on strategic cost management techniques to achieve cost management results.

Effective cross-functional teams - Vital to the success of any cost management effort because of the varied departments and functions that are affected and need to be involved to implement cost management initiatives. All parties either affected by the costs in question or involved in generating those costs need to be involved in the applicable cost management teams.

**Known Business strategies** - To develop purchasing cost management strategies, overall business strategies must be known. The maximum effect of strategic cost management in the supply chain can only be achieved when supply chain strategies are aligned with overall business strategies. Obviously, to achieve alignment, overall business strategies must be known to the supply chain team.

**Alignment of supply strategies with business strategies** - To be most effective, purchasing cost management strategies must be aligned with overall business strategies. This enabler is a key to successful strategic cost management and also to obtaining full support of top management. Do not make the mistake of concentrating cost management efforts in an area that management considers unimportant, or in an area of the business that is not strategically important to the company and/or may be up for divestiture.

**Total cost approach to procurement** - Frequently the most significant cost reductions in a supply chain do not result from lower prices. Price is important but it is not the only cost. Costs other than price may have more reduction potential or may be easier to reduce than price itself. Do not overlook any cost element. Sometimes costs that are indirectly linked to the use of products or services may contain large reduction potential as a result of changes in the purchased products or services.

**Balanced approach to sourcing** - It is inefficient to either purchase everything through alliances or purchase everything on a transactional basis. All purchases must be analyzed and categorized according to criteria such as total spend, long-term vs. short-term need, strategic importance, and supply base capabilities. From such an analysis individual purchase categories can be identified as candidates for strategic alliances, small-value purchase techniques, and transactional approaches.

**Performance measurements** - Without measurements you don't know where you are, where you came from, or where you are going. Performance measurements should be established for all aspects of a strategic cost management plan that are critical to its success. Therefore the first step in establishing measurements is to identify critical success factors and then develop indicators to measure how well they are being achieved. The results of measurement can be used to report success, to identify problem areas, and as the basis for taking corrective action.

**Redefinition of procurement business processes** - Necessary to accommodate balanced sourcing and efficient methods for handling transactional purchasing activities. Adoption of a continuous process improvement approach to supply chain operations will cause continual redefinition of business processes in the supply chain.

**Maximize the leverage effect of purchasing** - Use the information available from data systems to determine global spend by product, supplier, and geographical area to identify leverage opportunities. Leverage benefits can include price, quality, service, availability, knowledge, and other factors

**Sharing of Risks and Rewards** - Necessary to the successful integration of activities in a supply chain to achieve strategic cost management in the chain. Provides all chain members with incentives to cooperate and participate in cost management initiatives
Implementation Enablers:

**Supply chain visioning** - Brainstorm cost improvement possibilities with affected business units and others in your organization and supply chain members/partners. Do this through working sessions with the active leadership of business units or internal customer groups to develop a common understanding of internal customer requirements and to develop a value proposition, i.e. a distinctive competence that can be used to better serve internal customer needs and how operations must be changed to implement the envisioned improvements.

**Diffusion of best practices in the organization** - Without organization-wide application of best practices, cost management objectives cannot be fully achieved. Frequently a best practice in one part of the supply chain is a good model for application elsewhere in the chain to achieve the most effective cost management.

**Strategic alliances** - Necessary in key supply chains to achieve the close cooperation required for effective cost management. The set-up and maintenance costs of strategic alliances rule them out in many purchase situations but they are necessary in high-spend, critically important areas.

**Planned change management** - Changes in processes and procedures must be well-planned and executed. Use techniques such as pilot implementation of changes (make mistakes on a small scale). Also, adequate training in new or changed processes must be provided for all affected groups and individuals.

**Supply base rationalization** - To effectively manage costs, the number of suppliers must be reduced to a minimum. Qualification and maintenance of large supplier bases is expensive. Leverage potential for price, quality, service, delivery, and technology cannot be maximized without reducing the number of suppliers.

**Existence of shared supplier-customer strategies** - Shared strategies are best and most easily obtained by use of cross-functional teams. Such teams must include supplier, critical third party, and customer representation in addition to key functions of the buying organization.

**Minimization of transactional activities of purchasing** - Eliminate, automate, or shift non-value-added activities, e.g. processing of low-value purchase transactions out of purchasing.

**Shifting of supply chain costs** - Find the member of the chain that can perform the activity most efficiently and move the activity there. Be sure that actual cost reduction (and not merely cost shifting) is achieved in the total cost of the supply chain.

**Outsourcing** - If an activity can be performed more efficiently by someone who is not a member of the supply chain, shift the activity outside the supply chain, effectively enlarging the chain but making it more efficient. Guard against potential loss of technological advantage when outsourcing state of the art processes.

### Management of Obsolete Goods

Obsolescence is the state of being which occurs when an object, service or practice is no longer wanted even though it may still be in good working order. Obsolescence frequently occurs because a replacement has become available that is superior in one or more aspects. Obsolete refers to something that is already disused or discarded, or antiquated. Typically, obsolescence is preceded by a gradual decline in popularity.

## Types of Obsolescence:

### Technical Obsolescence

Technical obsolescence may occur when a new product or technology supersedes the old, and it becomes preferred to utilize the new technology in place of the old. Historical examples of superseding technologies causing obsolescence include higher-quality multimedia DVD over videocassette recorder and the telephone, with audio transmission, over the telegraph's coded electrical signals. On a smaller scale, particular products may become obsolete due to replacement by a newer version of the product. Many products in the computer industry become obsolete in this manner; for example, Central processing units frequently become obsolete in favor of newer, faster units. Singularly, rapid obsolescence of data formats along with their supporting hardware and software can lead to loss of critical information, a process known as digital obsolescence.

Another complementary reason for obsolescence can be that supporting technologies may no longer be available to produce or even repair a product. For example many integrated circuits, including CPUs, memory and even some relatively simple logic chips may no longer be produced because the technology has been superseded, their original developer has gone out of business or a competitor has bought them out and effectively killed off their products to remove competition. It is rarely worth redeveloping a product to get around these issues since its overall functionality and price/performance ratio has usually been superseded by that time as well.

Some products are rendered technologically obsolete due to changes in complementary products which results in the function of the first product being made unnecessary. For example, buggy whips became obsolete when people started to travel in cars rather than in horse-drawn buggies.

### Functional Obsolescence

Particular items may become functionally obsolete when they do not function in the manner that they did when they were created. This may be due to natural wear, or due to some intervening act. For example, if a new mobile phone technology is adopted, and there is no longer a provider who provides service based on the old technology, any mobile phone using that technology would be rendered obsolete due to the inability to access service.

Products which naturally wear out or break down may become obsolete if replacement parts are no longer available, or when the cost of repairs or replacement parts is higher than the cost of a new item. A product may intentionally be designed to use a faster wearing component, a form of planned obsolescence.

**Planned Obsolescence**

Sometimes marketers deliberately introduce obsolescence into their product strategy, with the objective of generating long-term sales volume by reducing the time between repeat purchases. One example might be producing an appliance which is deliberately designed to wear out within five years of its purchase, pushing consumers to replace it within five years.

When a product is no longer desirable because it has gone out of the popular fashion, its style is obsolete. One example is flared leg jeans; although this article of clothing may still be perfectly functional, it is no longer desirable because style trends have moved away from the flared leg cut.

Because of the "fashion cycle", stylistically obsolete products may eventually regain popularity and cease to be obsolete. A current example is "acid-wash" jeans, which were popular in the 1980s, became stylistically obsolete in the mid to late 1990s, and returned to popularity in the 2000s.

**Postponement Obsolescence**

Postponement obsolescence refers to a situation where technological improvements are not introduced to a product, even though they could be. One possible example is when an auto manufacturer develops a new feature for its line of cars, but chooses not to implement that feature in the production of the least expensive car in its product line.

**Obsolescence Management**

Obsolescence management refers to the activities that are undertaken to mitigate the effects of obsolescence. Activities can include last-time buys, life-time buys and obsolescence monitoring.

**How do I identify obsolete inventory?**

There are a number of techniques for identifying obsolete inventory, as discussed below.

**The Materials Review Board**

Though it is certainly encouraging to see a manager eliminate obsolete inventory, a common problem is to see some items disposed of that were actually needed, possibly for short-term production requirements, but also for long-term service parts or substitutes for other items. In these cases, the person eliminating inventory will likely be castigated for causing problems that the logistics staff must fix. A good solution is to form a Materials Review Board (MRB). The MRB is composed of representatives from every department having any interaction with inventory issues – accounting, engineering, logistics, and production. For example, the engineering staff may need to retain some items that they are planning to incorporate into a new design, while the logistics staff may know that it is impossible to obtain a rare part, and so prefer to hold onto the few items left in stock for service parts use.

It can be difficult to bring this disparate group together for obsolete inventory reviews, so you normally have to put a senior member of management in charge to force meetings to occur, while also scheduling a series of regular inventory review meetings well in advance. Meeting minutes should be written and disseminated to all members of the group, identifying which inventory items have been mutually declared obsolete. If this approach still results in accusations that items have been improperly disposed of, then the group can also resort to a sign-off form that must be completed by each MRB member before any disposition can occur. However, obtaining a series of sign-offs can easily cause lengthy delays or the loss of the sign-off form, and is therefore not recommended. A simpler approach is to use a negative approval process whereby items will be disposition as of a certain date unless an MRB member objects. The MRB is not recommended in very low-inventory situations, as can arise in a just-in-time (JIT) environment, since an MRB tends to act too slowly for employees used to a fast-moving JIT system.

**How to Find Obsolete Inventory**

The simplest long-term way to find obsolete inventory without the assistance of a computer system is to leave the physical inventory count tags on all inventory items following completion of the annual physical count. The tags taped to any items used during the subsequent year will be thrown away at the time of use, leaving only the oldest unused items still tagged by the end of the year. You can then tour the warehouse and discuss with the MRB each of these items to see if an obsolescence reserve should be created for them. However, tags can fall off or be ripped off inventory items, especially if there is a high level of traffic in nearby bins. Though extra taping will reduce this issue, it is likely that some tag loss will occur over time.

Even a rudimentary computerized inventory tracking system is likely to record the last date on which a specific part number was removed from the warehouse for production or sale. If so, it is an easy matter to use a report writer to extract and sort this information, resulting in a report listing all inventory, starting with those products with the oldest "last used" date. By sorting the report with the oldest last usage date listed first, you can readily arrive at a sort list of items requiring further investigation for potential obsolescence. However, this approach does not yield sufficient proof that an item will never be used again, since it may be an essential component of an item that has not been scheduled for production in some time, or a service part for which demand is low.

An advanced version of the "last used" report compares total inventory withdrawals to the amount on hand, which by itself may be sufficient information to conduct an obsolescence review. It also lists planned usage, which calls for information from a material requirements planning system, and which informs you of any upcoming requirements that might keep the MRB from otherwise disposing of an inventory item. An extended cost for each item is also listed, in order to give report users some idea of the write-off that might occur if an item is declared obsolete.

If a computer system includes a bill of materials, there is a strong likelihood that it also generates a "where used" report, listing all the bills of material for which an inventory item is used. If there is no "where used" listed on the report for an item, it is likely that a part is no longer needed. This report is most effective if bills of material are removed from the computer system or deactivated as soon as products are withdrawn from the market; this more clearly reveals those inventory items that are no longer needed.

An additional approach for determining whether a part is obsolete is reviewing engineering change orders. These documents show those parts being replaced by different ones, as well as when the changeover is scheduled to take place. You can then search the inventory database to see how many of the parts being replaced are still in stock, which can then be totaled, yielding another variation on the amount of obsolete inventory on hand.

A final source of information is the preceding period's obsolete inventory report. Even the best MRB will sometimes fail to dispose of acknowledged obsolete items. The accounting staff should keep track of these items and continue to notify management of those for which there is no disposition activity.

In order to make any of these review systems work, it is necessary to create policies and procedures as well as ongoing scheduled review dates. By doing so, there is a strong likelihood that obsolescence reviews will become a regular part of a company's activities. In particular, consider a Board-mandated policy to conduct at least quarterly obsolescence reviews, which gives management an opportunity to locate items before they become too old to be disposed of at a reasonable price. Another Board policy should state that management will actively seek out and dispose of work-in-process or finished goods with an unacceptable quality level. By doing so, goods are kept from being stored in the warehouse in the first place, so the MRB never has to deal with it at a later date.

**Self Assessment Questions**

1. What are SCM security measures? Write a note on their foot falls.
2. Elucidate the concept of logistics.
3. Explain the concept of merchandising management
4. Discuss the need for visual requirements.
5. How are obsolete goods managed in retailing business? What are the various forms of obsolescence in retailing?
6. Write a note on the various software applications which facilitate retail business.

## CASE STUDY

### The Global Expansion of Subway Restaurants

The subway story began in 1965 when Dr. Peter Buck loaned Fred Deluca USD $1,000 to open a sandwich shop in Bridgeport, U.S.A. Since that time, subway sandwich shops have grown to more than 32,000 restaurants in 90 countries making its founder a billionaire. Subway remains a 100 percent franchised organization and all subway restaurants are individually owned and operated.

More than 7,500 subway stores have opened outside the United States, including developing nations like India, Croatia and China. Initially subway did not seek to expand internationally, but when an entrepreneur from Bahrain approached the company about opening a sandwich shop on the Persian Gulf Island, Subway decided to accept the challenge of global expansion.

Expanding a food venture into a foreign country involves many issues, such as finding quality supplies for use in making sandwiches. Subway insists on a "gold standard of quality" when adapting to international environments. To properly train new Franchise owners in locations around the globe, subway has to adapt to different languages and cultures. When it enters a new market, the primary issues it faces are building brand awareness and learning about potential customer's eating preferences and customs. Subway has positioned its menu as a more health-conscious choice.

**Questions**

(a) Is Subway's health-conscious positioning the best promotional platform to expand stores internationally? Why or why not?

(b) What are some advantages and disadvantages of using franchised owner-operators to expand internationally?

(c) Would you recommend product standardization or adaptation strategy to the company for its Indian Operations? Justify your choice.

(d) How important is it for subway to study the cultural factors in India? Explain giving suitable examples.

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# UNIT - III

## Unit Structure



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## Lesson 3.1 - Human Resource Management in Retailing

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### Learning Objectives

- Explain the role of Human Resource Management in retailing
- Learn about retail organization
- Understand the various laws related to HR

### Introduction

Human Resource Management's role in the company's success increases each day. Human Resource Management is a vital function in organizations. It is becoming more important than ever. Line managers are getting involved in HRM, and human resource managers are becoming members of the management team. Also, everyone in the organization can make a contribution to the management of people and the success of the organization at the same time. Human resource management includes a variety of activities, such as the following: What staffing needs to have and whether to use independent contractors or hire employees to fill these needs. Recruiting and training the best employees, ensuring they are high performer. Dealing with performance issues and ensuring its personnel and management practices conform to various regulations.

This report will contain the following topics:

- The special Human Resource Environment of retailing.
- The process of Human Resource Management in Retailing
- Human Resource planning
- Recruitment & Selection Training
- Development Performance management

**Human Resource Environment of Retailing**

Staffs are a major resource in any business. This is particularly true in retail industry, which has a very large amount of employees and which provides a range of services to its customers. The retail human resource environment has its special features: a large number of inexperienced workers, long hours, highly visible employees, many part-time workers, and variations in customer demand. Those features also create difficulties to retailers.

First of all, a large number of inexperienced workers and part-time staffs in a retail business may lead high employee turnover, poor performance, lateness and absenteeism. This is due to several seasons. One is that inexperienced workers can apply retail positions, such as checkout clerks, wrappers, stock clerks and some types of sales personnel, which doesn't require high education, training and skill. The other one is that employees who work in retailing companies likely live near the retailing stores. In addition, part-time staffs are very easy to quit their jobs.

Secondly, long working hours may result that retailers need to two shifts of employees. As the trend of longer store hours (evening and weekend), retailers need to consider employ staff for evening and weekend use.

Thirdly, high visible employees mean that retailers have to monitor employees very closely. As consumers nowadays play a very important role in retail industry and employees are highly visible to the consumers, retailers must select and train employees carefully, especially care about their manners and appearance.

Finally, variations in customer demand may create difficulty to retailers to predict exactly how many employees are required. Retailers need to have the knowledge about what season, what number of employees is needed; and what day, what number of employees is needed; and which period of a day, what number of employees is needed.

## Process of Human Resource Management in Retailing

The four main activities of the process of Human Resource Management are Planning, Recruitment and Selection, Training and Performance. When retailers are applying the Human Resource Management process, the labor laws, diversity and employee privacy has to be The Human Resource Management process in Retailing.

### Recruitment

Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organization. The purpose on Recruitment process is to make the job applicants available for the specific jobs. Sources of Recruitment External sources are 1) Educational Institutions 2) Competition 3) Advertisements 4) Employment agency 5) Unsolicited applicants. Sources of Recruitment Internal Sources is Current and former employees' recommendations.

### Selection

Selection involves the series of steps by which the candidates are screened for choosing the most suitable persons for vacant posts. The basic purpose of selection process is to choose the right candidate to fill the various positions in the organization. Process of Selection includes: The application blank, Interview, Testing, Reference check, Physical examination and Job offer.

### Training

Training is an important aspect of human resource management. Typically, in retail, training is needed at the following times- At the time of induction at regular intervals to sales staff for skill enhancement. Training to the retail sales staff is very important because they are the face of the organization. Training is given to improve their communication skills, product knowledge, company policies on Returns, Market awareness etc.

**Compensating**

Methods of compensation Straight salary Method is Advantages Employee security known expenses and the Disadvantages is Less Motivation. A method of compensation is Straight commission method, the Advantage is High Motivation and the Disadvantage is the risk of low earnings. Methods of compensation: Salary plus commission It means to combine the attributes of both salary and commission plans. The employee gets a fixed salary and a commission on achievements of the targets.

**Supervising**

Supervision is the manner of providing a job environment that encourages the employee accomplishment. The goals are to oversee personnel, achieve good performance, maintain employee morale and motivation, control expenses, and communicate policies. Proper supervision is needed to sustain a superior performance of the employees. Supervision is provided by personal contact, meetings and reports. The basic styles of supervision: Management assumes that the employees must be closely supervised and controlled. Management believes that the employees can be self managers and assigned authority. Management applies a self management approach and also advocates more employee involvement in decision making.

**Motivation**

In retailing, Motivation is very important because of the long working hours and the immense pressure on performance. The research on human behaviour has shown that most of the people at work are motivated by the following factors- The organization culture, the rewards, the monetary benefits, Growth and job enrichment

**Performance Evaluation**

The basis of the performance evaluation is the goals and targets that have been set for each individual. Through targets, the outstanding as well as the poor performances can be easily identified. In a retail organization, the goal set for a merchandiser will be different from the goal of a sales person.

**Building Employee Commitment**

The workplace is changing dramatically and demands for the highest quality of product and service is increasing. To remain competitive in the face of these pressures, employee commitment is crucial. This reality is applicable to all organizations but is of particular importance to small and medium sized businesses

**Employee Retention Employee**

Retention involves taking measures to encourage employees to remain in the organization for the maximum period of time.

**Retail Organization**

Organizational structure of a retail store will vary by the size and type of the business. Most tasks involved with operating a retail business will be the same. However, small or independent retail stores may combine many sectors together under one division, while larger stores create various divisions for each particular function along with many layers of management.

For example, the small specialty shop may have all of its employees under one category called Store Operations. A large department store may have a complete staff consisting of a manager, assistant manager and sales associates for its Sporting Goods department, Home and Garden, Bed and Bath, and each additional department.

In order to define the store's organization, start by specifying all tasks that need to be performed. Then divide those responsibilities among various individuals or channels. Group and classify each task into a job with a title and description. The final step is to develop an organizational chart.

## Retail Organization Structure

Organization structure is a formal structure where the various activities to be performed by the specific employees are identified and delegated, indicating their authority and responsibility. Organization structure is the formal system of task and reporting relationships that controls, coordinates, and motivates employees so that they cooperate to achieve an organization's goals. Organization structure should encourage employees to work hard and to develop supportive work attitudes Allow people and groups to cooperate and work together effectively. A retailer cannot survive unless its organization structure satisfies the need of the target market, regardless of how well employee and management needs are met. Most of the retailers do similar tasks such as buying, pricing etc. but there are many ways of organizing a retail firm.

The process of organizing a Retail firm includes: 1) Outlining the specific task to be performed in retail distribution channel. 2) Dividing the task among channel members. 3) Grouping the retailer's task into jobs. 4) Classifying the jobs. 5) Integrating positions through an organization chart.

Specifying the tasks to be performed: Buying merchandise, Setting price, Inventory storage, Customer research, Customer contact, Facilitate shopping, Customer follow up and handling complaints, Billing customers, Handling receipts, Delivery to customer, Handling Returns, Sales forecasting and budgeting. The tasks which are above does not need to be done by a retailer only. It can be divided among the retailer, manufacturer or wholesaler, specialist etc. The tasks can be grouped into jobs. For eg. - Displaying merchandise and customer dealings can be the job of sales personnel. - Entering data and managing cash can be the job of the cashier. Jobs are classified by categorizing them into functional, product, geographic or combination.

### Developing an Organization Chart

The format of the retail organization should be designed in a coordinated and integrated way. With these things in mind, a retailer devises an organization chart which graphically displays the hierarchal relationships. Organizational design is the process by which managers select and manage various dimensions and components of organizational structure and culture so that an organization can achieve its goals.

### Considerations of Organization Design

Focus on Specialization, Matching Authority and responsibility, Work out the reporting relationships, Matching organizational structure to the retail strategy. The tasks should be assigned and allocated to the employees on the basis of the expertise that they possess. This will help in improving the quality of the work as well as increase the job satisfaction amongst the employees. For eg. An employee who is an expert in promotions and marketing should be assigned with the responsibility of promoting the retail store. Providing relevant authority and responsibility to the employees helps the employees in effectively undertaking the responsibilities which are assigned to them and get lead to maximization in sales and revenues. But many times providing the authority and responsibility may also lead to serious conflicts between the employees. For e.g. Conflict between the store manager and the merchandise department regarding the purchase of stock. The organization should ensure that there is correct number of employees under the superior. It should neither be too less nor too more. The structure of the retail organization should match the retail strategy. The structure will change according to the type of retailer and the size of the store. For e.g. the structure of a single store retailer will differ from the structure of a chain store retailer.

### Forms of Retail Ownership

An independent retailer owns one unit and needs less capital requirement. Word of mouth communication is very necessary. Advantages are Flexibility Independence Consistency Quick decision making. Disadvantages are less bargaining power, No economy of scale, less technology and No long run planning

A chain retailer operates multiple outlets under a common ownership. The Advantages are: Bargaining power, Cost efficiencies, Use of technology, Long term planning. The Disadvantages are: Less flexibility, High investment, Delay in decision making, Limited independence.

***Franchising***

A contractual arrangement between the franchisor and franchisee which allows the franchisee to conduct business under an establish name and according to the given pattern of business. Advantages are: Small capital investment. Brand name Standard operating policies marketing efforts are facilitated. Disadvantages are: Over saturation may occur if too many franchisees are located in the same area. They may be locked into contracts.

***Leased Department***

They are also termed as shop in shops, when a section in a retail store is leased or rented to the outside party, it is termed as a leased department. It is used by the retailers to broaden their offerings into product category. Advantages from store's perspective: Regular revenues, tapping more customers. Disadvantages from store's perspective: Conflicts Affecting store image, Customer may blame the store rather than the lessee. Advantages for leased dept. operators: Brand names, Reduction in cost, Enhanced image. The disadvantages of leased dept. are operators Inflexibility, Renewal of lease.

**Issues in Designing a Retail Organization**

There are two main issues while designing a retail organization structure- The degree of centralization is Coordinating merchandise and store management. The degree of Centralization is the process by which the activities of an organization, particularly those regarding decision-making, become concentrated within a particular location and/or group. On the other hand, Decentralization is the distribution of power in the lower level of management.

***Benefits of Centralization***

- Reduction in cost – Overhead costs are reduced because lesser managers are required to make decisions.
- Improves efficiency – With the help of standard policies and guidelines.
- Allows experts to take decision – The best people makes decision.

***Limitations***

The major limitation is that the person sitting in the corporate office does not know about the conditions in the local market and hence he cannot take any relevant steps to fight the local competitors. Coordinating Merchandise and store management An independent retailer does not faces any problem in coordinating the store and the merchandise as he is in a direct touch with the customers, so he can look after the customer demands and fulfill it very easily. On the other hand, a large retail firm having a lot of retail chains faces this problem as both the store and the merchandise department are dependent on each other for fulfilling the customer demands and requirement.

**Laws involved in HR**

**Purpose of Labour Legislation**

Labour legislation that is adapted to the economic and social challenges of the modern world of work fulfils three crucial roles:

- It establishes a legal system that facilitates productive individual and collective employment relationships, and therefore a productive economy;
- By providing a framework within which employers, workers and their representatives can interact with regard to work-related issues, it serves as an important vehicle for achieving harmonious industrial relations based on workplace democracy;
- It provides a clear and constant reminder and guarantee of fundamental principles and rights at work which have received broad social acceptance and establishes the processes through which these principles and rights can be implemented and enforced.

Some of the important labour laws are:

- The Employees' State Insurance Act, 1948
- The Employees' Provident Fund and Miscellaneous Provisions Act,1952
- The Child Labour (Prohibition and Regulation) Act, 1986.

- The Contract Labour (Regulation and Abolition) Act, 1970.
- The Shops and Establishment Act
- The Industrial Disputes Act, 1947.
- The Industrial Employment (Standing Orders) Act, 1946.
- The Maternity Benefit Act, 1961
- The Minimum Wages Act, 1948
- The Payment of Bonus Act, 1965
- The Payment of Gratuity Act, 1972
- The Payment of Wages Act, 1936
- The Employers' Liability Act, 1938
- The Workmen's Compensation Act, 1923

**The Industrial Disputes Act, 1947**, is, therefore, the matrix, the charter, as it were, to the industrial law. The Act and other analogous State statutes provide the machinery for regulating the rights of the employers and employees for investigation and settlement of industrial disputes in peaceful and harmonious atmosphere by providing scope for collective bargaining by negotiations and mediation and, failing that, by voluntary arbitration or compulsory adjudication by the authorities created under these statutes with the active participation of the trade unions. With the aid of this machinery, industrial law covers a comprehensive canvas of state intervention of social control through law to protect directly the claims of workers to wages, bonus, and retrial benefits such as gratuity, provident fund and pension, claims, social security measures such as workmen's compensation, insurance, maternity benefits, safety welfare and protection of minimum of economic well-being. Job security has been particularly protected by providing industrial adjudication of unfair discharges and dismissals and ensuring reinstatement of illegally discharged or dismissed workmen. Protection has gone still further by laying down conditions of service in specified industries and establishments and limiting the hours of work. By and large, all these subjects are "connected with employment or non-employment or terms of employment or with the conditions of labour" of industrial employees. In other words, these matters are the subject matter of industrial disputes, which can be investigated and settled with the aid of the machinery provided under the Act or analogous State statutes.

## Mechanism of Disputes Settlement

The principal techniques of dispute settlement provided in the I.D. Act are collective bargaining, mediation and conciliation, investigation, arbitration, adjudication and other purposes.

## Collective Bargaining

Collective bargaining is a technique by which disputes of employment are resolved amicably, peacefully and voluntarily by settlement between labour unions and managements. The method of collective bargaining in resolving the Industrial dispute, while maintaining industrial peace has been recognized as the bed rock of the Act. Under the provision of the Act, the settlement arrived at by process of collective bargaining with the employer has been given a statutory recognition under Section 18 of the Act. Under the Act two types of settlement have been recognized:

1. Settlement arrived in the course of conciliation proceeding before the authority. Such settlements not only bind the member of the signatory union but also non-members as well as all the present and future employees of the management.
2. Settlement not arrived in the course of conciliation proceedings but signed independently by the parties to the settlement binds only such members who are signatory or party to the settlement.

***Section 19*** of the Act prescribes the period of operation inter alia of such a settlement and envisages the continuation of the validity of such a settlement unless the same is not replaced by another set of settlement, while Section 29 prescribes the penalty for the breach of such a settlement.

## Mediation and Conciliation

Under the Act, effective conciliation machinery has been provided which can take cognizance of the existing as well as apprehended dispute, either on its own or on being approached by either of the parties to the dispute. The Act further makes conciliation compulsory in majority of disputes.

**Investigation**

Section 6 of the Act empowers the government to constitute a court of inquiry, for inquiring into any matter pertaining to an Industrial Dispute. The procedure of the court of inquiry has also been prescribed by Section 11. While the report of the court is not binding on the parties, many time it paves the way for an agreement.

**Arbitration**

Voluntary arbitration is a part of the infrastructure of resolving the Industrial Dispute in the Industrial adjudication. Section 10 of the Act provides for the provision for resolving the Industrial Dispute by way of arbitration, which leads to a final and binding award. However, in India arbitration is not a preferred way of resolving Industrial Disputes.

**Adjudication**

Adjudication means a mandatory settlement of Industrial Disputes by labour courts, Industrial Tribunals or National Tribunals under the Act or by any other corresponding authorities under the analogous state statutes. By and large, the ultimate remedy of unsettled dispute is by way of reference by the appropriate government to the adjudicatory machinery for adjudication. The adjudicatory authority resolves the Industrial Dispute referred to it by passing an award, which is binding on the parties to such reference. There is no provision for appeal against such awards and the same can only be challenged by way of writ under Articles 226 and 227 of the Constitution of India before the concerned High Court or before the Supreme Court by way of appeal under special leave under Article 136 of the Constitution of India.

However before the provisions of the Act, 1947 may become applicable certain pre-requisite conditions must exist.

1. The dispute must relate to an 'Industry';
2. Section 2(j) of the Industrial Dispute Act gives a comprehensive definition of 'industry'. The definition of industry in this clause is both exhaustive and inclusive and is quite comprehensive in its

scope. It is in two parts, the first part says that 'it means any business, trade, undertaking, manufacture or calling of employees and then goes on to say that it, includes any calling, services employment, handicraft or industrial occupation or avocation or workmen. Thus one part of the definition defines it from the standpoint of the employer; the other from the standpoint of the employees.

3. Under this Act an Industrial Dispute can be raised only by 'workman' employed in an 'industry'. Section 2(s) of the Act defines 'workman', which means any person employed including an apprentice, in any industry to do any skilled, unskilled, manual, clerical, supervisory or technical work for hire or reward, whether the terms of employment be expressed or implied. The definition of workman under the Act also includes any person who has been dismissed, discharged or retrenched in connection with or as a consequence of any dispute. However, it excludes inter alia any person who has been employed mostly in managerial or administrative capacity or in supervisory capacity drawing wages exceeding 1600/- per month or exercises either by the nature of the duty attached to the office or by reason of the powers vested in him, functions mainly of a managerial nature. However, in this regard it is not the nomenclature or designation of the employee but the actual nature of duties performed by him/her that will determine the status of such employees. Furthermore, before an Industrial Dispute can be referred for adjudication, it is necessary that their exists a relationship of employer and employee between the workman and the management.

4. The dispute must be an 'Industrial Dispute'. Section 2(k) of the Act defines 'Industrial Dispute' and only disputes covered under the definition can be referred for conciliation or adjudication under the Act. The definition of 'Industrial Dispute' in section 2(k) can be divided into two parts viz:

1. Dispute or difference

i. Between employer and employers
ii. Between Employer and workman
iii. Between Workman and workman

2. Subject matter of dispute

i. Connected with the employment or non-employment
ii. The terms of employment
iii. With the condition of labour.

Under the present law any Industrial Establishment employing more than 100 workers must make an application to the Government seeking permission before resorting to lay-off, retrenchment, or closure of undertaking. Employers resorting to any of the said forms of creating job losses without seeking prior permission as aforesaid act illegally and workers are entitled to receive wages for the period of illegality. However, an Industrial Establishment employing less than 100 workers can retrench its surplus employees in accordance with the provisions provided under Section 25F, 25G & 25H of the Act without seeking the permission of the appropriate government. Under Section 25 F of the Act the retrenchment compensation to be offered to a retrenched workman has to be 15 days salary for every completed year of service and an amount equivalent to one month salary.

A feature of the Act is the stipulation that existing service conditions cannot be unilaterally altered without giving a notice of 21 days to the workers and the trade union. Similarly if an industrial dispute is pending before an authority under the Act, then the previous service conditions in respect of that dispute cannot be altered to the disadvantage of the workers without prior permission of the authority concerned.

A permanent worker can be removed from service only for proven misconduct or for habitual absence or due to ill health or on attaining retirement age. In other words the doctrine of 'hire and fire' is not approved within the existing legal framework. In cases of misconduct the worker is entitled to the protection of Standing Orders to be framed by a certifying officer of the labour department after hearing management and labour, through the trade union. Employers must follow principles of 'natural justice', which again is an area that is governed by judge-made law. An order of dismissal can be challenged in the labour court and if it is found to be flawed, the court has the power to order reinstatement with continuity of service, back wages, and consequential benefits.

**Strikes and Lockouts**

Workers have the right to strike, even without notice unless it involves a public utility service; employers have the right to declare lockout, subject to the same conditions as a strike. The parties may sort out their differences either bilaterally, or through a conciliation officer who can facilitate but not compel a settlement, which is legally binding on the parties, even when a strike or a lockout is in progress. But if these methods do not resolve a dispute, the government may refer the dispute to compulsory adjudication and ban the strike or lockout. However in recent times the Higher Courts have deprecated the tendency to go on strike quite frequently. Furthermore, the Supreme Court of India has also held that government employees have no fundamental right to go on strike.

The Regulation of Contract Labour

The most distinct visible change in the time of globalisation and privatization is the increased tendency for outsourcing, offloading or subcontracting. The rationale is that the establishment could focus on more productivity in the core or predominant activity so as to remain competitive while outsourcing the incidental or ancilliary activities.

The Contract Labour (Prohibition and Regulation) Act 1970 provides a mechanism for regulating engaging of contractor and contract labour. The Act provides for registration of contractors (if more than twenty workers are engaged) and for the appointment of a Tripartite Advisory Board that investigates particular forms of contract labour, which if found to be engaged in areas requiring perennial work connected with the production process, then the Board could recommend its abolition under Section 10 of the Act. A tricky legal question has arisen as to whether the contract workers should be automatically absorbed or not, after the contract labour system is abolished. Recently a Constitutional Bench of the Supreme Court has held that there need not be such automatic absorption.

**Employment Injury, Health, and Maternity Benefit**

**The Workmen's Compensation Act 1923** is one of the earliest pieces of labour legislation. It covers all cases of 'accident is arising out of and in the course of employment' and the rate of compensation to be paid in a lump sum, is determined by a schedule proportionate to the extent of injury and the loss of earning capacity. The younger the worker and the higher the wage, the greater is the compensation subject to a limit. The compensation can be claimed by the injured person or in case of death the dependent. This law applies to the unorganized sectors and to those in the organized sectors who are not covered by the Employees State Insurance Scheme, which is conceptually considered to be superior to the Workmen's Compensation Act.

**The Employees' State Insurance Act, 1948** provides a scheme under which the employer and the employee must contribute a certain percentage of the monthly wage to the Insurance Corporation that runs dispensaries and hospitals in working class localities. It facilitates both outpatient and in-patient care and freely dispenses medicines and covers hospitalization needs and costs. Leave certificates for health reasons are forwarded to the employer who is obliged to honor them. Employment injury, including occupational disease is compensated according to a schedule of rates proportionate to the extent of injury and loss of earning capacity. Payment, unlike in the Workmen's Compensation Act, is monthly. Despite the existence of tripartite bodies to supervise the running of the scheme, the entire project has fallen into disrepute due to corruption and inefficiency. Workers in need of genuine medical attention rarely approach this facility though they use it quite liberally to obtain medical leave. There are interesting cases where workers have gone to court seeking exemption from the scheme in order to avail of better facilities available through collective bargaining.

**The Maternity Benefit Act** is applicable to notified establishments. Its coverage can therefore extend to the unorganised sector also, though in practice it is rare. A woman employee is entitled to 90 days of paid leave on delivery or on miscarriage. Similar benefits, including hospitalization facilities are available under the law described in the paragraph above.

### Retirement Benefit

There are two types of retirement benefits generally available to workers. One is under the Payment of Gratuity Act, 1972 and the other is under the Employees Provident Fund Act. In the first case a worker who has put in not less than five years of work is entitled to a lump sum payment equal to 15 days' wages for every completed year of service. Every month the employer is expected to contribute the required money into a separate fund to enable this payment on retirement or termination of employment. In the latter scheme both the employee and the employer make an equal contribution into a national fund. The current rate of contribution is 12 percent of the wage including a small percentage towards family pension. This contribution also attracts an interest, currently 9.5 percent per annum, and the accumulated amount is paid on retirement to the employee along with the interest that has accrued. The employee is allowed to draw many types of loan from the fund such as for house construction, marriage of children, and education etc. This is also a benefit, which is steadily being extended to sections of the unorganised sector, especially where the employer is clearly identifiable.

**Indian labour laws divide industry into two broad categories:**

***1. Factory***

Factories are regulated by the provisions of the Factories Act, 1948 (the said Act). All industrial establishments employing 10 or more persons and carrying manufacturing activities with the aid of power come within the definition of Factory. The said Act makes provisions for the health, safety, welfare, working hours and leave of workers in factories. The said Act is enforced by the State Government through their 'Factory' inspectorates. The said Act empowers the State Governments to frame rules, so that the local conditions prevailing in the State are appropriately reflected in the enforcement. The said Act puts special emphasis on welfare, health and safety of workers. The said Act is instrumental in strengthening the provisions relating to safety and health at work, providing for statutory health surveys, requiring appointment of safety officers, establishment of canteen, crèches, and welfare committees etc. in large factories.

The said Act also provides specific safe guards against use and handling of hazardous substance by occupiers of factories and lies down of emergency standards and measures.

***2. Shops and Commercial Establishments***

'Shops and Commercial Establishments' are regulated by Shops and Commercial Establishments Act which are state statutes and respective states have their respective Shops and Commercial Acts which generally provide for opening and closing hour, leave, weekly off, time and mode of payment of wages, issuance of appointment letter etc.

**Statutory Regulation of Condition of Service in Certain Establishments**

There is statutory provision for regulating and codifying conditions of service for an industrial establishment employing more than 100 workmen under the provisions of Industrial Employment (Standing Orders) Act, 1946 (this Act). Under the provisions of this Act every employer of an Industrial Establishment employing 100 or more workmen is required to define with sufficient precision the condition of employment and required to get it certified by the certifying authorities provided under Section 3 of this Act. Such certified conditions of service will prevail over the terms of contract of employment. In a significant judgment recently the Delhi High Court has held that a hospital even though employing more than 100 workmen is not covered under the provisions of this Act, as a hospital is not an Industrial Establishment as defined under this Act.

**Distinctive Feature of Indian Labour and Employment Laws**

A distinguishing feature of Indian Labour and Employment Laws are that in India there are three main categories of employees: government employees, employees in government controlled corporate bodies known as Public Sector Undertakings (PSUs) and private sector employees.

The rules and regulations governing the employment of government employees stem from the Constitution of India. Accordingly, government employees enjoy protection of tenure, statutory service contentions and automatic annually salary increases.

Public sector employees are governed by their own service regulations, which either have statutory force, in the case of statutory corporations, or are based on statutory orders.

In the private sector, employees can be classified into two broad categories namely management staff and workman. Managerial, administrative or supervisory employees drawing a salary of Rs.1600/- or more per month are considered management staff and there is no statutory provisions relating to their employment and accordingly in case of managerial and supervisory staff/employee the conditions of employment are governed by respective contracts of employment and their services can be discharged in terms of their contract of employment. Workmen categories are covered under the provisions of the Industrial Disputes Act as already detailed above.

**Voluntary Retirement Scheme and Golden Handshake**

In the competitive time of globalization and liberalization the system of Voluntary retirement with golden handshake is widely prevalent both in public and private sectors in order to reduce the surplus manpower which for most of public sector undertakings is a major cause of losses.

**The Unorganised Sector**

Many of the labour and employment laws apply to the unorganised sector also. The unorganized sector can be defined as that part of the work force that have not been able to organize itself in pursuit of a common objective because of certain constraints such as casual nature of employment, ignorance or illiteracy, superior strength of the employer singly or in combination etc. viz. construction workers, labour employed in cottage industry, handloom/powerloom workers, sweepers and scavengers, beedi and cigar workers etc. Under this category are laws like the Building and Construction Workers Act 1996, the Bonded Labour System (Abolition) Act 1976, The Interstate Migrant Workers Act 1979, The Dock Workers Act 1986, The Plantation Labour Act 1951, The Transport Workers Act, The Beedi and Cigar Workers Act 1966, The Child Labour (Prohibition and Regulation) Act 1986, and The Mine Act 1952.

**Women Labour and the Law**

Women constitute a significant part of the workforce in India but they lag behind men in terms of work participation and quality of employment. According to Government sources, out of 407 million total workforce, 90 million are women workers, largely employed (about 87 percent) in the agricultural sector as labourers and cultivators. In urban areas, the employment of women in the organised sector in March 2000 constituted 17.6 percent of the total organised sector.

In addition to the Maternity Benefit Act, almost all the major central labour laws are applicable to women workers. The Equal Remuneration Act was passed in 1976, providing for the payment of equal remuneration to men and women workers for same or similar nature of work. Under this law, no discrimination is permissible in recruitment and service conditions except where employment of women is prohibited or restricted by the law. The situation regarding enforcement of the provisions of this law is regularly monitored by the Central Ministry of Labour and the Central Advisory Committee. In respect of occupational hazards concerning the safety of women at workplaces, in 1997 the Supreme Court of India in the case of Vishakha Vs. State of Rajasthan [(1997) 6 SCC 241] held that sexual harassment of working women amounts to violation of rights of gender equality. As a logical consequence it also amounts to violation of the right to practice any profession, occupation, and trade. The judgment also laid down the definition of sexual harassment, the preventive steps, the complaint mechanism, and the need for creating awareness of the rights of women workers. Implementation of these guidelines has already begun by employers by amending the rules under the Industrial Employment (Standing Orders) Act, 1946.

**Focus on Elimination of Child Labour**

Elimination of child labour continued to be one of the major focus areas of the Labour Ministry. It took an initiative for framing an omnibus legislation prescribing 14 years as the minimum age for employment and work in all occupations except agricultural activity in family and small holdings producing for own consumption. The proposed legislation would also fix a minimum age of not less than 18 years to any type of employment and work which by its nature or circumstances is likely to jeopardize the health, safety or morals of young persons. As of date, employment of children has been prohibited in 13 occupation and 51 processes in the country bringing the total to 64. It is proposed to raise their number to 73 by notifying additional nine hazardous occupations and processes.

In 2006, the Central Government has amended the Child Labour (Prohibition and Regulation) Act, 1986 prohibiting employment of children below 14 years of age even in non-hazardous industry like restaurants, motels and also as domestic servants.

To further augment resources for elimination of child labour, the Ministry of Labour signed a Memorandum of Understanding with the ILO extending International Programme on Elimination of Child Labour (IPEC) in India for another two years. India under the ILO's IPEC programme has taken up 154 action programmes on child labour covering more than ninety thousand children with direct funding by the ILO/Area Office to the NGOs.

**The Reforms and Labour Law**

Reforms in Labour laws are being much talked in recent years. It is being advocated that all talk of liberalization is futile without squarely facing up to the imperative of labour reforms. These are an integral part of the economic reforms process itself. Other efforts at raising the standard of performance on the economic front to world class are apt to stall if those managing enterprises find themselves hamstrung by outdated trade union laws and dilatory methods of adjudication of industrial disputes.

For instance, the unwieldy number of adjudicating authorities — conciliation officers, conciliation boards, courts of inquiry, labour courts, industrial tribunals and the national industrial tribunal — under the Industrial Disputes Act and the complex procedures are out of sync with the essential pre-requisites for the success and even the survival of companies in a globally integrated economy.

Productivity, customer service, cost-effectiveness, keeping to delivery schedules, technological up gradation and modernization have emerged as the criteria for judging the quality of management of companies, and labour reforms hold the key to increased competitiveness and investment flows in all these respects. The need for introducing labour market flexibility and simplifying labour laws has no doubt been emphasized by the President and Prime Minister of the country downwards from time to time.

**Motivation**

**Motivation** is a term that refers to a process that elicits, controls, and sustains certain behaviors. For instance: An individual has not eaten, he or she feels hungry, as a response he or she eats and diminishes feelings of hunger. According to various theories, motivation may be rooted in a basic need to minimize physical pain and maximize pleasure, or it may include specific needs such as eating and resting, or a desired object, goal, state of being, ideal, or it may be attributed to less-apparent reasons such as altruism, selfishness, morality, or avoiding mortality. Conceptually, motivation should not be confused with either volition or optimism. Motivation is related to, but distinct from, emotion

**Intrinsic motivation** refers to motivation that is driven by an interest or enjoyment in the task itself, and exists within the individual rather than relying on any external pressure. Intrinsic Motivation is based on taking pleasure in an activity rather working towards an external reward.

**Extrinsic motivation** refers to the performance of an activity in order to attain an outcome, which then contradicts intrinsic motivation. Extrinsic motivation comes from outside of the individual. Common extrinsic motivations are rewards like money and grades, coercion and threat of punishment. Competition is in general extrinsic because it encourages the performer to win and beat others, not to enjoy the intrinsic rewards of the activity. A crowd cheering on the individual and trophies are also extrinsic incentives.

Self-determination theory proposes that extrinsic motivation can be internalised by the individual if the task fits with their values and beliefs and therefore helps to fulfill their basic psychological needs.

**Self-Control**

The self-control of motivation is increasingly understood as a subset of emotional intelligence; a person may be highly intelligent according to a more conservative definition (as measured by many intelligence tests), yet unmotivated to dedicate this intelligence to certain tasks. Yale School of Management professor Victor Vroom's "expectancy theory" provides an account of when people will decide whether to exert self control to pursue a particular goal.

Drives and desires can be described as a deficiency or need that activates behavior that is aimed at a goal or an incentive. These are thought to originate within the individual and may not require external stimuli to encourage the behavior. Basic drives could be sparked by deficiencies such as hunger, which motivates a person to seek food; whereas more subtle drives might be the desire for praise and approval, which motivates a person to behave in a manner pleasing to others.

## Summary

Human Resource Management's role in the company's success increases each day. Human Resource Management is a vital function in organizations. It is becoming more important than ever. Line managers are getting involved in HRM, and human resource managers are becoming members of the management team. Also, everyone in the organization can make a contribution to the management of people and the success of the organization at the same time. Organization structure is a formal structure where the various activities to be performed by the specific employees are identified and delegated, indicating their authority and responsibility. Organization structure is the formal system of task and reporting relationships that controls, coordinates, and motivates employees so that they cooperate to achieve an organization's goals. Organization structure should encourage employees to work hard and to develop supportive work attitudes Allow people and groups to cooperate and work together effectively. A retailer cannot survive unless its organization structure satisfies the need of the target market, regardless of how well employee and management needs are met. Most of the retailers do similar tasks such as buying, pricing etc. but there are many ways of organizing a retail firm. Recruitment is the process of searching the candidates for employment and stimulating them to apply for jobs in the organization. The purpose on Recruitment process is to make the job applicants available for the specific jobs. Sources of Recruitment External sources 1) Educational Institutions 2) Competition 3) Advertisements 4) Employment agency 5) Unsolicited applicants.. Sources of Recruitment Internal Sources Current and former employees Employee recommendations

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## Lesson 3.2 - Training Needs for Employees

### Learning Objectives

- Understand the training needs of employees
- Identify the obstacles to top grading

### Introduction

A "training needs assessment", or "training needs analysis", is the systematic method of determining if a training need exists and if it does, what training is required to fill the gap between the standard and the actual performance of the employee. Therefore, training needs analysis is

- Systematic method of determining performance discrepancies
- Causes of performance discrepancies

**Reasons to conduct training needs analysis**

- Identify the deficiencies
- Determine whether employees lack KSAs
- Benchmark for evaluation of training
- Makes sure training is provided to the right people
- Increases the motivation of training

Training needs analysis includes

**Organizational analysis** – It includes the analysis of

- Mission & strategies of organization
- The resources and their allocation
- Internal environment- attitudes of people

**Operational Analysis**

- Determine KSAs required for standard performance
- Job analysis

**Person Analysis**

- Specific areas of training required by the individual
- Whether an individual is capable of being trained

The data regarding the person analysis can be collected through -

1. Performance data
2. Behavioral and aptitude tests &
3. Performance appraisal

Performance appraisal can significantly help in identifying the training needs of the employees. Performance appraisal helps to reveal the differences and discrepancies in the desired and the actual performance of the employees.

The causes of the discrepancies are also found whether they are due to the lack of adequate training or not. The employee can also tell about his training requirements (if any) in his self appraisal. A performance appraisal after the training program can also help in judging the effectiveness of the program.

**Importance of Training**

Training your employees does have a significant role in modern business era. Not just to equip them with latest tools your company has implemented, there is a lot more to it. I have sorted down them in a list. This is a must read if you employ or mean to employ in future at least one person. Training your employees is important because

Rapid technological innovations impacting the workplace have made it necessary for people to consistently update their knowledge and skills

People have to work in multidimensional areas, which usually demand far more from their area of specialization.

- Change in the style of management.
- Due to non-practical college education.
- Lack of proper and scientific selection procedure.
- For career advancement.
- For higher motivation and productivity.
- To make the job challenging and interesting
- For self and development
- For employee motivation and retention
- To improve organizational climate
- Prevention of obsolescence
- To help an organization to fulfill its future manpower needs.
- To keep in pace with times
- To bridge gap between skills requirement and skills availability

DIF Analysis - DIF stands for Difficulty, Importance, and Frequency. DIF Analysis is a sophisticated (and potentially very complex) method of assessing performance, prioritizing training needs and planning training, based on three perspectives: Difficulty, Importance, and Frequency. The system looks at tasks and activities (or skills, competencies, whatever) rather than looking at development from a personal individual perspective. DIF Analysis can be used in different ways: for example as a flow diagram to consider each activity using a simple yes/no for each of the three factors in sequence of Difficulty (yes/no), Importance (yes/no) and Frequency (yes/no), which generates eight possible combinations.

At a simple level, an activity that scores low on all three scales is obviously low priority; whereas an activity that scores high on all three scales is a high priority. Weighting (significance of each factor relative to the job purpose/aims) is required in order to optimize the usefulness and relevance of the system, especially if applied to a group or organization. Analysis can become extremely complex, so it is sensible to ensure that the level of analysis is appropriate for the situation before starting to build complex analysis systems. For such a potentially detailed system, DIF Analysis does not automatically take account of personal preferences and potential capabilities, and as such consideration to this aspect is wise where trainee commitment is influential upon development, which in most situations is the case.

Other methods exist for prioritizing training. Choose or develop a method which is appropriate for your situation. Resist the tendency to become overly detailed. Analysis and detail should always be a means to an end (to achieve effective training and development), not an end in themselves.

Ultimately the best way to priorities training is can be simply to agree with the trainee what they are most keen to commit to. All the analysis and detail in the world will not guarantee trainee commitment, which is generally the most powerful force for effective training and development.

Task-based analysis is important for organizational development measurement and planning, but approaching training prioritization from purely a task perspective ignores the vital personal factor. Developing people and capabilities any organizations face the challenge of developing greater confidence, initiative, solutions-finding, and problem-solving capabilities among their people. Organizations need staff at all levels to be more self-sufficient, resourceful, creative and autonomous. This behavior enables staff can operate at higher strategic level, which makes their organizations more productive and competitive. People's efforts produce bigger results. It's what all organizations strive to achieve.

However, while conventional skills training give people new techniques and methods, it won't develop their maturity, belief, or courage, which is so essential for the development of managerial and strategic capabilities again, focus on developing the person, not the skills.

Try to see things from the person's (your people's) point of view. Provide learning and experiences that they'd like for their own personal interest, development and fulfillment. Performance and capability are ultimately dependent on people's attitude and emotional maturity. Help them to achieve what they want on a personal level, and this provides a platform for trust, 'emotional contracting' with the organization, and subsequent skills/process/knowledge development relevant to managing higher responsibilities, roles and teams. Participative workshops work well in beginning this type of attitudinal development. Involve people right from the start. Focus on what they want. You could also use a personal development questionnaire to begin to set the scene and provide examples of 'alternative' learning opportunities. It starts with the person, not the skills. It's about attitude and emotional maturity. The Emotional Intelligence principles and methodologies fit very well with modern approaches to developing people's belief, maturity and attitude.

When people develop confidence, integrity, emotionally, they automatically become more proactive, solutions-focused, responsive, etc., which across a whole team has a cumulative effect. Johari is a useful model too. So many people at work are simply 'going through the motions', acting in a 'conforming' state, often because they feel insecure, lack confidence to do what they think is right, or are nervous about being bold, whereas boldness is absolutely required for self-sufficiency, initiative, greater responsibility; in fact all of the behaviors that organizations strive to encourage.

**Identify Employee Training Needs**

1. Conduct a job task analysis of the employee (or group of employees) for whom you are identifying training needs. In order to provide effective training, it's necessary to know exactly what the expectations are for the job. You can gather some of this information by observation and by asking employees to provide you with either verbal or written descriptions of what their jobs entail.

2. Compare employee performance to the job expectations and identify the areas in which there are discrepancies. Identify whether the discrepancy is due to work process issues, such as not knowing how to complete a specific task, or personnel issues, such as not wanting to complete a specific task. Work process issues can be addressed with employee training, while personnel issues are better addressed by an employee review process.

3. Schedule a meeting with all of the employees involved, asking them to bring with them lists of what they consider to be the top five areas in which they feel more training is needed. Share the lists as well as your own observations.

4. Group training issues by category. For example, learning a new computer program would fall into the same category as learning how to use a new piece of equipment, but reviewing customer service strategies would be better categorized with other policy review issues.

5. Prioritize training needs as a group, taking into account that those that have an immediate effect on business performance or employee safety are the most important. Discussing your business goals with your employees can also be helpful in this process. Knowing the desired outcome can assist employees in telling you what they need to know in order to help the company achieve its goals.

## Top grading and Obstacles to Top Grading

### What is top grading?

It's packing the team, indeed the entire company, with the very best people at every pay level. Top grading hiring and promoting methods are basically common sense, but delivered and applied **on steroids**. These methods include (among many others): Clearer, more in-depth job descriptions (called **Job Scorecards**)

- Screening candidates not from deceptive resumes but from a **Career History Form** that includes a built-in "truth serum" and provides full comp history, boss ratings, and much more
- The famous chronological **Top grading Interview** that scrutinizes every job

The requirement for top candidates to arrange personal reference calls with former supervisors and others.

This proven method allows you to select only the very 'best of the best' when looking at candidates for today's jobs. In this challenging market, any mis-hire can be devastating and a key mis-hire can be catastrophic. Top grading is designed to make certain that you have the very best opportunity to add only 'A Players' to your team and avoid the staggering cost of mistakes.

**How the Top grading Snapshot Works**

In response to an opening in your company or to advertising for a position, candidates email you their resume. When that email has been received, you use the Top grading Snapshot's automated mailing feature to send them a pre-formatted email inviting them to go to a website (with your logo) and fill out what looks like your standard application form (with your logo).

But it's the Top grading Career History Form, which turbo-boosts the screening process because it asks for full compensation history, boss ratings, true reasons for leaving jobs, likes and dislikes in jobs, a self-appraisal, and many more revealing questions. And it contains a "*Truth Serum*," a clear statement in the instructions:

Top grading has turbo-boosted the talent advantage not only for mega corporations, but also for fast-growth high-tech companies, not-for-profits, small family-owned businesses, and thousands of individual managers. From the executive suite to the shop floor, when your company has dream teams of A players and your competitors have fewer

As and a lot more B and C players who suck energy out of everyone, you'll win. Companies with too many B and C players lose market share and lose profitability. Top grading delivers a silver-bullet assessment technique.

**Astronomical Costs of Mis Hires**

Along with finding the best hire, cost efficiency and legal concerns are two main reasons why the HR selection process is so important. When companies make a bad hire, they pay to train and orient a person who ultimately may cause more harm than good if he performs poorly and negatively affects the workplace.

The costs to replace a bad hire are astronomical in many industries. A Society Human Resource Management study showed that even an $8 an hour retail employee can cost up to $3,500 to replace because of the hiring, administrative and training costs involved.

**Cost of Mis-Hires**

***Total costs in hiring the person***

- Recruitment/search fees
- Outside testing, interviewing, record checking, physical exam
- HR department time
- HR department administrative costs
- Travel costs for all candidates, spouses, other executives traveling to meet candidate
- Time/expenses of non-HR people
- Relocation

***Compensation: (sum for all year's person was in job)***

- Base $___________x number of years
- Bonuses including signing and performance bonuses
- Stock options
- Benefits
- Clubs
- Car expenses

***Maintaining person in job: (sum for all years person was in job)***

- Secretarial assistance
- Office rental
- Furniture, computer, equipment
- Travel
- Training

***Total severance***

- Severance fee (salary, benefits, use of office)
- Outplacement counseling fee
- Costs in negotiating separation
- Costs in lawsuits caused by the person (EEOC, harassment, EPA, OSHA, etc.)

- Administrative costs in separation
- Wasted time of people in separation
- "Bad press" (loss of corporate good will, reputation)

**Mistakes/Failures Missed and Wasted Business Opportunities**

"The single biggest estimable cost in mis-hiring is the wasted or missed business opportunity. For 27 years I have witnessed multimillion-dollar fiascoes that clearly could have been avoided had an A player been hired instead of a C player. One of the most insidious elements of 'wasted or missed business opportunity' goes to the heart of top grading. C players hire C players and drive away A players. Several clients carefully tracked the costs of C players mis-hiring people, and the cumulative costs through an organization where there are a lot of C-player managers were astronomical." C players drive away key customers, hire other C players, impair customer loyalty, erode employee morale and trust, fail to enter new "hot" markets, fail to implement necessary measures, waste money, and drive away high performing employees.

**Disruption**

Costs of inefficiency in the organization, lower morale, lower productivity, impaired teamwork. The author considers this the biggest understated cost. "More than half of the respondents registered the cost at $0. I called them to ask why, and they said assigning a dollar value of costs was too difficult, too subjective. They could ballpark all the other costs, but felt the cost of disruption would amount to a wild guess. Almost all respondents, however, indicated that they believe costs associated with disrupting the workplace are huge. C players make mistakes affecting and disrupting many people.

Instead of removing business land mines, they inadvertently plant them. As the termination of a C player approaches, political jockeying takes place and more meetings waste time on internal issues, rather than on beating competitors. The results of this study are probably conservative because many companies supplying the numbers are great companies. Some wrote 'best practices,' including those pertinent to top grading.

These companies are quick to identify mis-hires and nip them in the bud. Lesser companies have more mis-hires and live with the consequences many more years.

**Estimated Value of Contributions of the Mis-Hire**

Even if a $50,000-per-year store manager drove away customers and stole $1M, perhaps he contributed something—hired five excellent employees, came up with a merchandising idea worth $500K per year to the bottom line.

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## Lesson 3.3 - Recruitment Best Practices

### Learning Objectives

- Learn about the best practices in recruitment
- Understand different types of recruitment

### Introduction

Recruitment and selection allow management to determine and gradually modify the behavioural characteristics and competences of the workforce. The fashion for team working, for example, has focused on people with a preference for working with others as opposed to the individualist 'stars' preferred by recruiters in the 1980's. Attention has switched from rigid lists of skills and abilities to broader-based competences. In general - as we noted in the previous section - there is greater regard for personal flexibility and adaptability - a reorientation from present to future stability. We cannot discuss how recruitment and selection take place without asking why certain techniques are used in preference to others. Within the HRM paradigm, they are not simply mechanisms for filling vacancies. Recruitment and redundancy can be viewed as key 'push' and 'pull' levers for organizational change.

### Recruitment: Marketing Jobs

Potential candidates may come from an internal trawl of the organization, or from the external job market. The latter are reached through channels such as recruitment advertising, employment agencies, professional associations or word of mouth. The approach differs according to the organization's resourcing philosophy:

- Organizations with a strong culture are likely to seek malleable new employees at school-leaving or graduate levels. More senior jobs are filled from the internal job market.

- Companies looking for the 'right' (best fit for the job) person however may rule out internal applicants because they do not match the personnel specification prepared for the job.

**Cultural Fit and Web-Based Recruiting**

A culture fit tool has the potential to make job seekers savvier while also providing a smaller, "better fitting" applicant pool for organizations.

**Informal Recruiting**

Word-of-mouth applicants are likely to stay longer and may be more suitable than recruits obtained by advertising. But word-of-mouth is discriminatory, since it restricts applications to established communities and excludes recently arrived minority groups who have not had time to become part of informal networks.

At senior levels the informal method known as 'headhunting' or executive search has become common. Specialist consultancies aim to find 'outstanding' people to fill higher-paying jobs. Whether they really are 'outstanding' is questionable.

Project work valuable for evaluating prospective hires: Enterprising job hunters have long sought to get a foot in the door as a way into their next job. A new survey for Robert Half Technology shows employers also embrace this approach.

**Formal Recruiting**

Equal opportunity demands equal access. This can only be achieved through public and open recruitment. (...) The likelihood of attracting 'suitable' applicants depends on the detail and specificity of the recruitment advertisement or literature. Key factors such as salary, job title, career and travel opportunities obviously influence response rates. But remember that employers do not want to be swamped with large numbers of applications from unsuitable people. This section of Human Resource Management in a Business Context goes into further detail such as: quality of agency recruiters, comparison of different media channels, and cultural variation in recruitment practice.

The Internet is becoming an increasingly popular method of recruitment

E-recruitment is revolutionising the Recruitment Industry. The real strength and power of online recruitment, when done properly, lie in harnessing internet technology to not just attract candidates but to deal with them too.

Tips for a Safe Online Job-Search: Conducting a job search using the Internet has definitely transformed how jobseekers contact hiring companies. With the Internet's convenience, a breeding ground for scam artists continues to grow each year as well.

**Targeting**

Competition for the 'best' graduates requires employers to have a clear idea of what they mean by 'best'. Recruitment needs to send a strong, distinctive message to these people. Check out one of the internet providers on this page to see how jobs are described and marketed.

**How to avoid Mis Hires**

- Pre-screening employees will help your company avoid costly hiring mistakes.
- Talk to an Expert
- Pre-screening Employees Home
- Criminal Background Checks
- Improve Screening and Hiring
- Job Interview Questions
- Look Beyond the Resume
- Loss Prevention
- Minimize Risk

Careful employee pre-screening can drastically decrease the number of inappropriate individuals that end up on the payroll. Drug screening and background checks often weed out the worst of these applicants, enabling companies to avoid many of the worst hiring mistakes. The most difficult of unsuitable applicants to avoid hiring aren't the drug addicts or those with criminal backgrounds. Often sneaking by even the most astute hiring managers are applicants that lack the skills necessary to complete the tasks associated with their job titles.

**Benefits of Effective Employee Pre-Screening**

- Reduce hiring mistakes
- Accelerate the hiring process
- Improve hiring precision
- Minimize cost of theft, violence and absenteeism

Novice and experienced interviewers are sometimes unsure of the best questions to ask candidates in an interview. While sample interview questions can help, having specific questions to ask a particular candidate makes the process even more effective.

**Reduce Business Losses**

Employees steal in many ways. While some take money and property, other forms of employee theft may take more subtle forms such as wasting time, taking unauthorized time off, Internet surfing, or punching a time clock for another employee.

**Improve Hiring and Screening**

From your experience, you know you have hired some excellent employees and some who have failed. Now take a moment and think back. Did you use the same employee screening method to hire both?

**Loss Prevention**

Of all the reasons that businesses fail in today's market, challenges such as competition, financial mismanagement, leadership failure, and disconnection from consumers are sure to top the list. A less commonly recognized factor is the costly challenge of managing theft.

**Job Interview Questions**

The interviewing process can be a legal and practical nightmare if not approached carefully. A seemingly innocuous interview question may actually be inappropriate or even illegal, and may culminate in a costly discrimination lawsuit. Such a situation can easily be avoided by using appropriate job interview questions.

**Screen Your Employees**

All reputable background screening companies get their information from the same sources. Those of us not simply matching a name against a database are sending court runners to the courthouses to secure information. What, then, separates one from the others?

**Recruitment and Staffing**

To find the best talent, smart companies are taking every possible opportunity to interview job seekers. Whether you utilize in-house recruitment personnel or outsource to a recruitment agency, the results are typically hit or miss.

**Look Beyond the Resume**

Companies want people who fit their work culture. Several elements must be considered, including the candidate's personality, work style, goals, and skill set.

**Criminal Background Checks**

Profiles International offers employment pre-screening assessments to help you prevent or stop employee theft by hiring honest, dependable employees.

**Minimize Risk**

To protect your company and minimize risk, Profiles International offers a two-step system to every job interview; the goal is to obtain important information while building a friendly rapport with the candidate. But some questions are just a little too friendly. Protect yourself and your company from legal trouble and embarrassment by avoiding the wrong questions while still getting to the root of the concern behind the question. Read on for 30 ways to turn litigious questions into harmless, legal alternatives.

**Nationality**

Certainly, you want to be sure that a candidate can legally work for you, but it's important to be careful how you ask. These questions address citizenship, language and other touchy subjects.

**Religion**

Religion is a subject that should be treaded upon lightly at the office, and even more so in interviews. Protect yourself from overstepping the boundaries but still get the information you need with these questions.

**Age**

Maturity is essential for most positions, but it's important that you don't make assumptions about a candidate's maturity based on age. Alternately, you have to be careful about discrimination towards applicants nearing retirement.

**Marital and Family Status**

These questions primarily concern women with children, but they're applicable to everyone. Ensure that you don't make assumptions, and avoid embarrassing candidates with improper questions.

Asking a candidate about their parents can reveal a lot, but it's not directly related to their future performance in a position

**Gender**

Once you've reached the interview stage, a candidate's gender is almost always clear. It is important, however, to ensure that you don't make assumptions about a person's abilities based on this information.

**Health and Physical Abilities**

Your employees' health and abilities may be essential to getting the job done, but it's important to avoid assumptions and discrimination.

**Chronological in depth structure based model**

| Descriptive/explanatory information | |
|---|---|
| **Dimensions** | **Categories** |
| **Time**: chronological frame of reference: perception and structuring of the present. | ➢ Day, week, month, year; decade, century, millennium.<br>➢ Timekeeping, calendar, experiencing time.<br>➢ Dating, periodization, time scale, chronology, calendar.<br>➢ Generation, parents, ancestors.<br>➢ Duration, evolution, tempo; continuity, change.<br>➢ Simultaneity, dissynchrony; synchrony, diachrony.<br>➢ Short-term and long-term perspective.<br>➢ Stratification of time: event, cycle, structure. |
| **Space**: spatial frame of reference: perception and structuring of contemporary and historical space out of one's own place in the present. | ➢ Localisation, distance, proximity.<br>➢ Municipality, region, nation, subcontinent, continent, world.<br>➢ Ascertaining space, measuring space, experiencing space.<br>➢ Scale, projection.<br>➢ Historical map.<br>➢ Open and closed space; center and periphery, maritime and continental space, town and country |
| **Social dimension**: social frame of reference: perception and structuring of contemporary and historical reality out of various components of human behaviour and social activity. | **Socio-economic conditions of life**<br>➢ Natural and built up environment; natural landscape, cultural landscape.<br>➢ Population, demography, mortality rate, birth rate, emigration, immigration.<br>➢ Life expectancy, birth, death.<br>➢ Living and working conditions, housing, nutrition, care.<br>➢ Economic activities, production, consumption, shortage, abundance.<br>➢ Social stratification, poverty, wealth. |

| | |
|---|---|
| | **Socio-political conditions of life**<br>➢ Macrolevel: power, form of government, jurisdiction, constitution, war and peace, conflict management.<br>➢ Microlevel: family, relatives. |
| | **Socio-cultural** conditions of life<br>➢ Systems of meaning: religion, ideology, myth, tradition.<br>➢ Acquisition and application of knowledge: science, working tools, technics, technology.<br>➢ Artistic expression, design.<br>➢ Education,instruction, communication, health care. |
| **Procedural information** | |
| **Dimensions** | **Categories** |
| ➢ Procedures to acquire knowledge and insight.<br>➢ Procedures to evaluate knowledge and insight.<br>➢ Procedures to deal with knowledge and insight. | ➢ Historical heuristics, criticism and synthesis.<br>➢ Theory of historical knowledge<br>➢ Fact, reality, opinion, image of history.<br>➢ Historical consciousness. |

This way, when you structure your job resume, it makes a difference. Hiring managers generally prefer to see a reverse chronological presentation of your background. In this format, you will start with your present position and work back to your early career.

This allows an employer to see quickly and clearly where you've worked, what positions you've held, a sense of your tenure in each role, promotional track record, your academic background, etc. They do not need to hunt for any of this information. It's a standard format.

**Your chronological resume is going to have the following sections:**

**Contact Information**: Summary Statement - this section is critical. It replaces your objective, and requires you to focus on what your key skills are. See Resume Objectives for a broader discussion of this important section on your resume.

- Professional Experience
- Academic Background
- Professional Associations

We're going to take an in depth look at each of these areas.

Contact information should include the following elements:

- Full Name (no nicknames) :
- Home address:
- Home phone number:
- Office number (if you can be contacted there):
- Cell phone number:
- Email address:

Make sure that your name and phone number appear on the second page of your job resume. Pages can get separated on a busy hiring manager's desk, so you want to be sure that they can reunite Page 1 and Page 2 should they become separated.

**Summary Statement**

Your summary statement opens your job resume. It's a short narrative (3-5 sentences) that describes your primary experience and key skill set. It is a better choice than incorporating an objective into your resume. Objectives can be very limiting, and can inadvertently knock you out of consideration, especially with companies that use ATS (Applicant Tracking Systems) or lower level screeners. A mismatch between your objective and the open job will likely eliminate your chances of getting called for an interview.

It's also a good idea to try to include some of the key words you found in the job ad in your Summary Statement.

***Professional Experience***

When presenting your professional experience on your job resume, the following elements need to be included:

Employer Information (Company, location, and a description of what they do)

Dates of Employment:

Titles held:

Short description of your role:

Accomplishments:

Accomplishments are so important to get right that we'll take a closer look at this topic separately. See Creating a Resume for more information. In the meantime, let's review the other elements of presenting your professional background.

**Employer Information**

Unless you work for IBM or GE, people might not be familiar with your company or division. And, if you're working for a large, but relatively unknown company, you can be screened out, even though the "demographics" might have been in line with the spec.

Give the reader a sense of your organization on your job resume - revenue size, location, employee size.

***Here's an Example***

ABC Widget Corporation, Philadelphia, PA 2000-Present

ABC Widget is a $2 billion manufacturer of industrial gears for the automotive and semiconductor industry. With 23,000 employees worldwide, ABC is a world leader in industrial components.

**Dates of Employment**

If you have only had one position with a company, present dates as shown above for ABC Widget - on the same line as company name. If you have had multiple positions within one company, use inclusive dates to reflect your total experience with the company on that first company line.

If you've had multiple positions, include dates on these subsections that reflect time in each position.

In general, express dates in full years, rather than month/year. This will camouflage any gaps in employment. You are not going to mislead anyone regarding gaps in employment, but remember - the job resume is used to screen you out, not in. You can address any gaps in your record if asked during the interview.

**Positions Held**

You will want to list all positions you held with an organization on your job resume. Give your title, the applicable dates, and a brief description of your role. Include metrics in your description where possible. For example, if you led a team of people, state how many people were managed? If you had P & L responsibility, include the size of your budget. You get the idea.

**Resume Image with Magnifying Glass**

This description should be only long enough to give the reader a sense of the scope of your responsibilities and no longer than a few well crafted sentences.

This description will be followed by some of your key accomplishments that are representative of your experience in that particular role. You'll want to include more accomplishments for more recent positions, and fewer accomplishments from your early career. Include items that will highlight the scope of your responsibility and key results achieved.

If you've got considerable experience, consider summarizing your early experience under a heading, or just listing employers, positions and dates. This will make it easier to keep your job resume to two pages.

***Something like this:***

Early Career

XYZ Inc., Evansville, IL - Account Management roles 1980-1985

IBM Corporation, Chicago, IL - Sales Management rotation 1975-1980

Academic Credentials & Professional Education

***Degree Programs***

Your academic credentials should be presented in reverse chronological order on your job resume, beginning with the highest degree you obtained. Information to be included for each degree includes:

***The College/University You Attended***

Location you attended - this is especially important if you attended a state school with multiple campuses

The degree you received

Your academic major

Any educational awards or scholarships you received

**Do not include the following:**

The year that you graduated (although not foolproof, a good way for an employer to determine your age) Your GPA - unless you are just starting your career, and then, include it only if it is truly outstanding (higher than a 3.5 on a 4.0 scale; if your institution uses a different scale, be sure to make note of it)

Do not, under any circumstances, misrepresent your educational background on your job resume.

If you did not receive a degree, it's permissible to record your dates of attendance. But never suggest that you received a degree if you didn't. For example:

University of Pennsylvania, Philadelphia, PA

Wharton School of Business

1988-1992

Notice that there is no mention of a degree program. Your interviewer should ask you about this. Don't lie. If you didn't finish your degree program, you'll need to address it in the interview.

From a resume perspective, include whatever educational credentials you have. In a quick review of your resume, the presentation above increases your odds of getting past the screener.

Studies show that misrepresentation of academic credentials is the number one source of job resume fraud. Chances are, you will be caught. Sometimes, you will be caught after you have resigned from your current employer and have started your new job. If you lie about having a degree, your application has been falsified and that is grounds for dismissal. You'll have no recourse. You'll be unemployed - and will likely be denied unemployment compensation. Not a pretty picture. Take my advice...play it straight.

**Professional Education**

If you have attended educational seminars, sales training programs, etc. list them in this section. Only include programs that are of some substance, relevant and reasonably current. For example, attending a two hour seminar on closing techniques would not qualify; attending a Sandler Sales Institute training program should be listed.

If you've taken a series of sales training courses early in your career, list these as one line item, rather than providing a laundry list of 20 different programs.

Use your judgment. Think about how a hiring manager would view these programs. If they don't add something of value to your presentation, leave them off your resume.

## Professional Recognition & Organizations

### Recognition

If you've received honors and awards that did not make it into your significant accomplishments above, you should list them at the end of your resume. Include significant speaking engagements as well as any industry recognition you've received.

### Professional Organizations

List any professional organizations you belong to that are relevant to your field and the type of position you're seeking. Note leadership positions where appropriate.

If you were a member in the past, but are no longer a current member of a particular organization, don't include it on your list. No one will care that you were a member of the Direct Marketing Association in 1985.

These organizations should be current. And, if you are not a member of a professional association, think about joining one or two that are relevant for your discipline. Not only does it suggest a desire to stay current with your field, these organizations are powerful networking vehicles for you in your job search.

Think about stepping up into a leadership role. Volunteer for a committee. It's the best way to gain visibility within the organization and to get to know people who are likely well connected in the group. Not only will these contacts help in your job search, they will be helpful to you after you land in a new position.

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## Lesson 3.4 - Coaching to fix Weakness and Interview Guide

### Learning Objectives

- Comprehend the base model to fix weaknesses
- Understand the legal problems in retailing through Bullet proof approach

### Introduction

To figure out what's causing the performance issue, you have to get to the root of the problem. But because employee performance affects organizational performance, we tend to want to look for a quick fix. Would a training course help? Or should you move him into a different role?

These types of solutions focus largely on the ability of the person performing the job. Performance, though, is a function of both ability and motivation.

Performance = Ability x Motivation

*Where:*

Ability is the person's aptitude, as well as the training and resources supplied by the organization.

Motivation is the product of desire and commitment.

Someone with 100% motivation and 75% ability can often achieve above-average performance. But a worker with only 25% ability won't be able to achieve the type of performance you expect, regardless of his or her level of motivation.

This is why recruitment and job matching are such critical parts of performance management. Be sure to assess ability properly during the selection process. Minor deficiencies can certainly be improved through training – however, most organizations don't have the time or resources needed to remedy significant gaps.

### Diagnosing Poor Performance

So, before you can fix poor performance, you have to understand its cause. Does it come from lack of ability or low motivation?

Incorrect diagnoses can lead to lots of problems later on. If you believe an employee is not making enough of an effort, you'll likely put increased pressure on him or her to perform. But if the real issue is ability, then increased pressure may only make the problem worse.

Low ability may be associated with the following:

- Over-difficult tasks.
- Low individual aptitude, skill, and knowledge.
- Evidence of strong effort, despite poor performance.
- Lack of improvement over time.

People with low ability may have been poorly matched with jobs in the first place. They may have been promoted to a position that's too demanding for them. Or maybe they no longer have the support that previously helped them to perform well.

### Enhancing Ability

There are five main ways to overcome performance problems associated with a lack of ability. Consider using them in this sequence, which starts with the least intrusive:

- Resupply
- Retrain
- Refit
- Reassign
- Release

Be sure to address each of these interventions in one-on-one performance interviews with employees.

1. **Resupply** – Focus on the resources provided to do the job. Do employees have what they need to perform well and meet expectations?

Ask them about additional resources they think they need.
Listen for points of frustration.
Note: where employees report that support is inadequate.

Verify the claims with your own investigation. People will often blame external sources for their poor performance before admitting their own fault.

This is a very effective first step in addressing performance. It signals to members of your team that you're interested in their perspective and are willing to make the required changes.

2. **Retrain** – Provide additional training to team members. Explore with them whether they have the actual skills required to do what's expected. Given the pace of change of technology, it's easy for people's skills to become obsolete.

This option recognizes the need to retain employees and keep their skills current. There are various types of retraining you can provide:

- Training seminars with in-house or external providers.
- Computer-based training (CBT).
- Simulation exercises.
- Subsidized college or university courses.

Resupplying and retraining will often cure poor performance. People and organizations may get into ruts, and fail to recognize these issues until poor performance finally highlights them.

3. **Refit** – When these first two measures aren't sufficient, consider refitting the job to the person. Are there parts of the job that can be reassigned? Analyze the individual components of the work, and try

out different combinations of tasks and abilities. This may involve rearranging the jobs of other people as well. Your goal is to retain the employee, meet operational needs, and provide meaningful and rewarding work to everyone involved. (For more detail, see our article on Job Enrichment.)

4. **Reassign** – When revising or refitting the job doesn't turn the situation around, look at reassigning the poor performer. Typical job reassignments may decrease the demands of the role by reducing the need for the following:
   - Responsibility
   - Technical knowledge
   - Interpersonal skills

If you use this option, make sure the reassigned job is still challenging and stimulating. To ensure that this strategy is successful, never use demotion as a punishment tactic within your organization. Remember, the employee's performance is not intentionally poor – he or she simply lacked the skills for the position.

5. **Release** – As a final option for lack of ability, you may need to let the employee go. Sometimes there are no opportunities for reassignment, and refitting isn't appropriate for the organization. In these cases, the best solution for everyone involved is for the employee to find other work. You may need to consider contractual terms and restrictions; however, in the long run, this may be the best decision for your whole team.

## Interview Guide

Your preparation for an interview, and your performance in the interview, are crucial to your career prospects. Here are our tips on "**how to wow**" in your interview.

### Preparation

The work you do BEFORE the interview is arguably the most crucial part of the whole process. An interview is like an exam: preparation is paramount! It is often the X-factor that will have you perform better than your competition.

Here are the essential steps to successful interview preparation:

- Make sure you know the details of interview time, location and who you'll be meeting. You may also have a job description, plus some information about the company you're interviewing with.
- If you have access to the Internet, research the company. Look up their website. Familiarise you with facts & figures, and the products & services the company offers.
- Refresh your memory regarding important facts and figures of your own employment history. For example, if you have had a sales background, be aware of your performance figures. Think about your greatest achievements so far in both your work and personal file.
- Your interview may well include competency based questioning. Think about what skills might be required for the role and examples from your history that you could talk about to demonstrate these core competencies.

**Presentation**

The impression you make starts from the moment you meet the interviewer(s) until the moment you say goodbye.

Make the best first impression you can by being well groomed in appropriate business attire, attending to all facets of your grooming, and being careful not to dress too loudly. For males, a suit is the preferred attire, but a long-sleeved shirt and tie with long trousers may also acceptable. For females, a suit or skirt and blouse or classic dress are preferable with appropriate stockings and shoes.

Dress conservatively, until you can assess the corporate dress code at interview.

**During the Interview**

Remember, the interview isn't just about the questions and answers. The whole process also takes account of your appearance, your posture, your mannerisms and the like. However, the questions and answers are a crucial part, so be prepared to give well thought-out and clear answers to questions such as these:

- Tell me about yourself.
- What are you immediate objectives? What are your future aspirations?
- What are your strengths and weaknesses?
- What interests you in the position and/or our company?
- What do you know about our company?
- What are your hobbies or interests? What do you do in your spare time?

**Closing the Interview**

The final step in the interview will usually be about any questions that you have. It's always beneficial to ask at least a couple of questions. It shows that you are keen and inquisitive. If the interview has been comprehensive, it can often be hard to think of questions. Here are some examples that might be of use:

- How has this vacancy come about? Can you tell me about the previous person in the role?
- How would you describe the culture of the company?
- What are the company's growth plans for the future?
- What will be the next step?

If this is your first interview with the client and you are interviewing through a recruitment consultancy, rarely will a job offer be made on the spot. However, if it is, and you feel comfortable with it, give an enthusiastic "Yes!". On the other hand, if you feel you would like some time to think it through, politely request that of the interviewer. Commit to a definite time by which you will give an answer.

In most cases, the interviewer will close the interview without giving you much indication of where you stand. If this is the case, don't be discouraged. Simply thank him or her warmly and re-iterate your enthusiasm for the role. You may also want to briefly restate why you want the position, and what you feel you can bring to the role and the company. Sell yourself right to the end, but do it tactfully.

Finally, take a deep breath and relax! You've given it your best shot, and if it's meant to be, it will be!

**Tips for the Interviewer**

Checklist for Conducting a Hiring Interview

- Interview Types
- Job-Related Questions
- Questioning Techniques
- Improper Interview Questions
- Structuring the Interview
- Uniformity of Interviews
- Interviewing Persons with Disabilities

**Goals of the Interview**

Assess the candidate and determine whether there is a good fit between the candidate's capabilities and the position requirements

Describe the job and working conditions

Create goodwill for the organization, whether or not the candidate is hired

**Elements of Good Interviewing**

Meeting the interview goals requires the following on the interviewer's part:

- Interpersonal skills which put a job candidate at ease and elicit the most accurate responses.
- Preparation helps an interviewer cover all job-related questions and avoid saying things that might violate antidiscrimination laws, create an implied employment contract, or misrepresent the job.
- Objectivity requires the interviewer to be impartial and unbiased. Interviewers must evaluate a candidate based on the factors that predict future job performance.

- Good recordkeeping supplies the information needed to compare different candidates and documents the screening process in case a rejected candidate challenges the hiring decision.

**Interview Types**

Interviews fall into two categories: structured and unstructured.

***Structured Interviews***: The interviewer approaches the interview with an organized and well-planned questioning method while always staying on task. Some interviewers will ask the interview questions in a specific order while others take a more relaxed approach, though still addressing all pre-planned questions.

***Structured interviews*** generally provide the interviewer with the information needed to make the hiring decision. All candidates are asked the same questions, rather than tailoring the questions to target a specific individual.

***Unstructured Interviews***: Unstructured interviews do not rely upon a prepared agenda. Instead, the candidate sets the pace of the interview. The lack of structure makes it difficult to compare and rank candidates because they do not respond to the same questions. However, unstructured interviews are sometimes used to make the selection between two, equally qualified, candidates.

**Interview Questions**

Interview questions should accomplish the following goals:

- Determine a candidate's qualifications and general character, in relation to the job
- Expose undesirable traits
- Clarify information
- Provide other job-related data
- Reveal inconsistencies

**Job-Related Questions**

Develop interview questions by examining the job description and determining job demands in each of these following areas:

Skills and abilities, including technical skills, communication ability, analytical ability, and specialized training

Behavioral factors: motivation, interests, goals, drive and energy, reliability, stress tolerance. Performance is a function of skills and abilities multiplied by behavioral considerations; skills and abilities determine whether someone "can do" a job. Behavior determines whether they "will do" a job. Both must be measured.

Corporate culture and job fit issues: team orientation, customer service focus, and accountability, for example.

Employers should design questions to elicit information about the candidate's job qualifications in each of the noted areas. These questions can form a standardized guide for each interview. To customize the questionnaire, employers should review a candidate's résumé for points covered on the questionnaire and individualize questions as needed. Click here for sample interview questions.

**Evaluating Candidate Responses**

As important as it is that questions are job-related, it's even more important to know how to evaluate the candidate's response.

The interviewer should not feel that a candidate's first answer to any of the questions must be accepted as the only answer. When the interviewer feels an answer is lacking, the interviewer should ask layered questions until reaching an answer with a satisfactory amount of information.

**Questioning Techniques**

The best interviewers employ a flexible questioning technique to elicit pertinent, accurate information. Employers should vary the questioning technique according to the goals of the interview. For example, an appropriate technique in one instance may yield false, incomplete, or misleading information in another. The best interviewers use some combination of the following techniques as the situation demands.

**Close-Ended Questions**

Close-ended questions are most commonly asked in interviewing and are the most commonly misused questions. The following is an example of an ineffective closed-ended question: “Can you work under pressure?” Only “Yes” and “No” are the possible answers.

The interviewer has no information and no way of evaluating any one candidate against another. However, a closed-ended question would be appropriate and useful as a questioning technique when looking for a commitment from the individual, for example: “Can you start on Monday?”

A closed-end question also helps interviewers in an attempt to refresh their own memory or in verifying information from earlier in the interviewing sequence: “You were with Company X for 10 years?”

Interviewers may also utilize the close-ended technique as preparation for a series of questions on the same subject.

**Open-Ended Questions**

Open-ended questions often yield better results than close-ended. Open-ended questions do not lend themselves to monosyllabic answers; instead, the question requires an explanation. For example, the following open-ended question requires a detailed answer: “How do you succeed in working under pressure?”

As a rule, open-ended questions are preferable to closed-ended questions because such questions require the candidate to speak while the interviewer listens. Open-ended questions often begin as follows:

“Tell me about a time...”

“Describe a situation where...”

**Behavioral Questions**

The technique of asking behavioral questions has developed into a unique style of interviewing. Behavioral questions are based on the premise that past behavior is the best predictor of future performance.

Behavioral questions are open-ended and request specific examples of past behavior. Such questions elicit conversation and are usually prefaced with something similar to the following:

"Share with me an experience when..."

"Give me an example of..."

Used appropriately, behavioral questions make it difficult for the candidate to misrepresent past performance.

***Negative-Balance Questions***

Interviewers often assume, albeit incorrectly, that a candidate who is strong in one area is equally impressive in all areas. This is not always the case.

***To avoid this assumption, an interviewer may ask the following questions:***

"That is very impressive. Could you please describe an occasion when the situation did not work out to your advantage?"

"Additionally, please offer an example of an aspect in this area where you struggle(d)."

**Negative Confirmation**

When interviewers have sought and found negative balance, they may feel content that they are maintaining their objectivity and move on or that an answer they receive may be disturbing enough to warrant negative confirmation.

For example, an interviewee tells the interviewer about a situation when the individual felt that it was necessary to go around or behind a supervisor to achieve a goal. A manager should be troubled because if such behavior is common, the person may not be desirable to hire. Consequently, negative confirmation should be sought with perhaps the following: "That is very interesting. Let's talk about another time when you had to..."

Successive examples will help interviewers confirm negative traits and perhaps save the employer from hiring a candidate unfit for the employment position. On the other hand, interviewers may establish that the negative situation was a peculiarity — a one-time thing — and nothing that would potentially disqualify a candidate.

**Reflexive Questions**

Reflexive questions function to close a line of questioning and move the conversation forward. Reflexive questions help interviewers calmly maintain control of the conversation no matter how talkative the interviewee.

When a candidate begins to stray from the topic of the questions, the interviewer can easily interject with a reflexive question that will allow the interviewer to proceed with other topics.

An interviewer may accomplish this by adding phrases, such as the following, to the end of a statement:

- Don't you?
- Couldn't you?
- Wouldn't you?
- Didn't you?
- Can't you?
- Aren't you?

For example, the interviewer might say, "With time so short, I think it would be valuable to move onto another area, don't you?" The candidate's reflex is to agree, and the conversation moves on.

**Mirror Statements**

Mirror statements function as a subtle form of probing in conjunction with silence. To use the technique, the interviewer mirrors or paraphrases a key statement made by the candidate and then remains silent while offering positive reinforcement through body language such as nodding, and looking attentively at the interviewee.

Interviewers should use mirror statements to fully understand and a candidate's answer and gain more insight through the candidate's detailed explanation. For example, an interviewer would repeat the substance of an interviewee's key comment in a question form, "Whenever you arrive two hours early for work, you then leave work two hours early to compensate yourself for your time?" Upon completion of the question, the interviewer would patiently wait for the interviewee to expand on the mirrored statement, without a further interjection from the interviewer. This technique allows the candidate to hear verbatim the words they chose as an answer and volunteer further details.

**Loaded Questions**

Loaded questions are inappropriate as they may lead to manipulation by the interviewer. Loaded questions are fundamentally problematic because questions require the interviewee to decide between equally unsuitable options. For instance, the following is a loaded question: "Which do you think is the lesser evil, embezzlement or forgery?"

Obviously, the interviewer should avoid absurd, loaded questions. However, carefully balanced judgment-call questions may have a place in a good interview. The technique may allow the interviewer to probe the interviewee's decision-making approaches.

For example, the interviewer may want to recall a real-life situation where two divergent approaches were both carefully considered and may do so by framing the situation as a question:

"I'm curious to know what you have done when..."

"What has been your approach in situations where..."

### Half-Right Reflexives

Half-right reflexives can be utilized to glean specific answers and determine an individual's propensity for specific work-related incidents. To employ the technique, the interviewer must make a partially correct statement and ask the interviewee to agree.

With half-right reflexives, the interviewee has the opportunity to offer personalized and experienced insights in regard to workplace dilemmas and situations. However, the interviewee may also demonstrate a lack of experience or inability to perform required tasks of the job.

This technique creates enlightening insights. For instance, this example of a half-right reflexive always generates fascinating responses: "I've always felt that customer service should commence only after the bill has been paid, haven't you?"

### Leading Questions

Leading questions allow interviewers to lead the listener toward a specific type of answer. Leading questions often arise accidentally when the interviewer explains what type of organization the interviewee will be joining. For instance, the interviewer might proudly exclaim, "We're a fast-growing outfit here, and there is constant pressure to meet deadlines and satisfy our ever-increasing list of customers", then ask, "How do you handle stress?"

In the interviewers statement the basic principles and requirements of the job are made clear and thus, the correct answer to any further question is a simple paraphrase of the interviewers own statement.

Leading questions are often useful, but like closed-ended questions, the interviewer must use leading questions appropriately. As information verifiers, leading questions encourage the candidate to expand on a particular topic, for example, "We are an organization that believes the customer is always right. How do you feel about that?"

However, leading questions should be used only after establishing a candidate's belief or performance in a particular area. In any case, leading questions should not be used early in the interview or be confused with the half-right reflexive.

**Question Layering**

A good question poorly phrased will be ineffectual and provide the interviewer with incomplete or misleading information. However, question layering allows an interviewer to thoroughly probe and answer on many different levels. For example, when an interviewer wants to determine whether a candidate could work well under pressure the basic line of questioning ("Can you work under pressure?") may prove to be the wrong approach because the question:

Requires only a yes or no answer, which fails to provide adequate information for the interviewer

Leads the interviewee toward the type of answer the individual knows the interviewer wants

Instead, interviewers can use a combination of all the questioning styles and techniques to examine the topic from every angle. For example, to examine all angles of a topic the interviewer may ask:

- Who?
- What?
- When?
- Where?
- Why?
- How?

Similarly, the interviewer does the same by joining the closed-ended question with some of the other question techniques.

The following sequence demonstrates how much more relevant information an interviewer can glean through question layering:

- Tell me about a time when you worked under pressure. (Open-ended.)
- So, it was tough to meet the deadline? (Mirror statement.)

- How did this pressure situation arise? (Question layering.)
- Who was responsible? (Question layering.)
- Why was this allowed to occur? (Question layering.)
- Where did the problem originate? (Question layering.)

These questions illustrate several different angles to the same question, each revealing a different aspect of the personality, performance, and behavior of the candidate. The question layering technique makes the possibilities for questions theoretically endless, depending only on the interviewer's thoroughness.

***Relevant and job-related questions might target the following:***

- Incomplete information on application form
- Work experience or education
- Gaps in work history
- Geographic preferences
- Normal working hours
- Willingness to travel
- Reasons for leaving or planning to leave previous job
- Job-related achievements
- Signs of initiative and self-management
- Specialized knowledge or expertise
- Meaning of former job titles

**Improper Interview Questions**

Do not solicit information that employers are legally barred from considering in the hiring process.

- Race
- Religion
- Creed
- Sex, pregnancy, childbirth, or related medical conditions
- Marital status
- National origin
- Ancestry

Other laws prohibit questions about military background, age, disability, or union membership. Generally, do not ask about:

- Medical or mental health history
- National origin and citizenship status
- Height, weight, or physical characteristics
- Disability
- Membership in professional or civic organizations that would reveal national origin, race, gender, religion, or any of the other protected classes under fair employment practice laws
- Military service history
- Marital status
- Sexual orientation
- Age
- Receipt of unemployment insurance, workers' compensation, or disability benefits
- Child care situation, family planning, or number of children
- Religion or religious beliefs

**Legal problems: Bullet proof Approach**

Top 10 threats HR's facing:

***1. Retaliation: the Biggest Threat***

Employees who can't win a discrimination, harassment or other suit against you are finding it much easier to win retaliation claims, making retaliation the most frequent and costly case companies lose.

Best advice: "Don't get mad, get thoughtful," and institutionalize a cooling-off period after anyone's made a charge.

Bonus tip: You have a whole new class of potential retaliation "suers" to worry about: those within a "zone of interest" of those making a charge, like significant others or family.

***2. Harassment: Update the Policy***

New types of harassment claims – like workplace bullying –are exploding, so you'd be well advised to update your policy and make it more current. Then republish it to remind people.

You need to make sure it's broad enough to encompass the non-traditional types of harassment that have caused a spate of new claims.

***3. Social Media: A New Nightmare***

Companies that already have social media policies have to update them. You've probably banned employees from discussing wages and other working conditions with co-workers in any forum, including on their Face book pages.

***4. Performance Reviews – Again***

These continue to come back and haunt companies when they become a weapon for plaintiff's attorneys.

Best advice: Make them simple and clear and state the truth, even if it hurts. And make reviews a continuous process, not a one-time event.

***5. Disability Issues: The Focus Shifts***

The new employment regulation has shifted the focus from who's disabled to how to accommodate. The law is expanding the types of disabilities in practice.

***6. Conflicts***

***7. Discourage Intermittent Leave***

Intermittent leave is supervisors' biggest headache. Make it a priority to manage/track it to discourage abuse.

***8. Avoid the New Overtime Trap***

Don't give any non-exempt employees company smartphones. If they check anything on it after hours, it's entirely possible they're on the clock earning OT.

***9. Prepare for inspections***

Do a self-audit before the labour administrative machinery knock.

***10. Foil any snap union election***

Be vigilant about internal rumblings of union organizing.

Best bet: Talk to staff constantly, as if you're always in a campaign.

**Summary**

People with low ability may have been poorly matched with jobs in the first place. They may have been promoted to a position that's too demanding for them. Or maybe they no longer have the support that previously helped them to perform well. When interviewers have sought and found negative balance, they may feel content that they are maintaining their objectivity and move on or that an answer they receive may be disturbing enough to warrant negative confirmation.

A good question poorly phrased will be ineffectual and provide the interviewer with incomplete or misleading information. However, question layering allows an interviewer to thoroughly probe and answer on many different levels. For example, when an interviewer wants to determine whether a candidate could work well under pressure the basic line of questioning ("Can you work under pressure?") may prove to be the wrong approach because the question:

**Self Assessment Questions**

1. State the role of Human Resource Management in Retailing.
2. Write a note on retail organizations? Mention the laws applicable to HRM in retail organizations
3. What are the implications of motivational practices on customer psychology?
4. Mention the various techniques used to identify the training needs of employees.
5. Examine the obstacles to top grading.
6. Discuss about the best practices in recruitment.
7. How to avoid mis hires?
8. What is Chronological in Depth Structure based Model?
9. How will coaching help in fixing weaknesses?
10. What are the things to be avoided during an interview?

## CASE STUDY

### Bharti Group of Industries has Tied up with Wal-Mart

Bharti group has tied up with an International retail chain 'WALMART' to open various cash and carry stores in wholesale segment. To start with, they have opened their first store in Amritsar (Punjab) and now are gradually expanding to other important Tier I and Tier II cities across India.

They have appointed you as a consultant to advise them in various decision areas involved in Retail Management and want to seek your advice to ensure success of their operations.

**Questions**

(a) What are the merchandise management decisions involved and what advice you will give for category management and planning?

(b) What performance measures you will suggest to measure the performance of their retail outlets?

(c) What Human Resource issues are involved and how these Human resources functions can be addressed? Give a brief account of them.

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# UNIT - IV

## Unit Structure

Lesson 4.1 - Legal Compliances for Retail Stores `

Lesson 4.2 - IPR Patents, Copy Right and Trade Marks

Lesson 4.3 - Customer Rights and Consumer Protection Act

Lesson 4.4 - The Standards of Weights and Measures Act

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## Lesson 4.1 - Legal Compliances for Retail Stores

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### Learning Objectives

- Learn about legal compliances in retail business
- Understand the legal process

### Introduction

Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by mail, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as delivery. Purchasers may be individuals or businesses. In commerce, a "retailer" buys goods or products in large quantities from manufacturers or importers, either directly or through a wholesaler, and then sells smaller quantities to the end-user. Retail establishments are often called shops or stores.

Retailers are at the end of the supply chain. Manufacturing marketers see the process of retailing as a necessary part of their overall distribution strategy. The term "retailer" is also applied where a service provider services the needs of a large number of individuals, such as a public utility, like electric power.

There are sales made directly to the public, whether at a storefront, a crafts fair, open studio, or as the result of a special order. Such sales are often the bread and butter of small businesses. If you're selling retail, you need to decide:

- What payment types you'll accept
- Your plan for handling and paying sales taxes
- Your returns policy, and
- What, if any, credit you'll extend.

**Wholesale Marketing**

In a wholesale transaction, you sell quantities of your work to a dealer or retailer, usually at a discount. You get a higher volume of business and your buyer gets a discount. That person then resells your work to their clients. Wholesale transactions can take place at craft shows, directly between galleries and artists, or sometimes with the aid of agents.

A wholesale order can be exciting but you need to think through the terms before you accept it. Items to consider:

- Will you offer credit or other payment terms? If you do, can you "carry" your client until they pay?
- Is the client creditworthy? What will happen to your business if your client goes bankrupt? Are you putting all your eggs in one basket? When in doubt, don't extend credit.
- Do you have a wholesale order form? Or a signed purchase order or contract? Make sure it includes an agreed upon cancellation fee. This is very important if you are extending any kind of credit.
- Do you have a volume discount schedule? This allows the buyer to get a greater discount when they buy more units
- Are you selling on a returnable basis or a nonreturnable basis? Nonreturnable sales will help you reduce returns but clients often expect a greater discount.

**Consignment Sales**

A consignment occurs when you provide work to a reseller (the "consignee"), who agrees to pay you proceeds from the sales minus a commission. If your product doesn't sell, the consignee can return it. Under this arrangement, the consignee takes very little risk because it doesn't have to purchase goods. The advantage to you is that it provides access to sales outlets that might not otherwise be open to you.

Consignment sales can be big business. In craft sales alone, consignments account for more than $3 billion annually in the United States. These numbers can be exciting, but before you jump into consignment sales, you should consider:

- The credit or references of your consignee
- Having a written consignment agreement that spells out the inventory being consigned and other details
- The retail price the goods will be sold for
- The consignee's fees
- Who pays for shipping and other matters that will affect your ability to realize a profit on your goods
- The type and amount of insurance that the consignee will carry to protect your goods
- When the deal will terminate, and
- How disputes will be resolved.

**Collecting Payment**

No matter what you sell, you may have problems collecting what you are owed. The best way to avoid problems is to minimize them up front with good policies and by carefully offering credit on larger orders. If you have a client who does not pay and you can't work out a plan, you have several collections options:

- Turn the account over to a collection agency.
- Sue in small claims court.
- Hire a lawyer.

**Retail Law - US**

ABA - Retail Leases

The “Nuts and Bolts of Retail Leases” is a bi-monthly conference call series designed to provide newly practicing lawyers, as well as those new to the retail leasing field, with a basic understanding of the provisions and concepts that are unique to retail leases.

The Code of Federal Regulations (CFR) is the codification of the general and permanent rules and regulations (sometimes called administrative law) published in the Federal Register by the executive departments and agencies of the Federal Government of the United States. The CFR is published by the Office of the Federal Register, an agency of the National Archives and Records Administration (NARA).

DOL - Recommendations for Workplace Violence Prevention Programs in Late-Night Retail Establishments

Under the Occupational Safety and Health Act of 1970, employers are responsible for providing safe and healthful workplaces for their employees. OSHA’s role is to assure these conditions for America’s working men and women by setting and enforcing standards, and providing training, education and assistance.

Federal Trade Commission The FTC deals with issues that touch the economic life of every American. It is the only federal agency with both consumer protection and competition jurisdiction in broad sectors of the economy. The FTC pursues vigorous and effective law enforcement; advances consumers’ interests by sharing its expertise with federal and state legislatures and U.S. and international government agencies; develops policy and research tools through hearings, workshops, and conferences; and creates practical and plain-language educational programs for consumers and businesses in a global marketplace with constantly changing technologies.

**NIOSH - Wholesale and Retail Trade**

During the past 40 years, the National Institute for Occupational

Safety and Health (NIOSH) has conducted studies involving worker populations from the wholesale and retail trade sectors. These studies describe the work of cashiers, sales persons, stocking clerks, materials handlers, order pickers, grocery packers, telephone sales representative, gas station clerks, and fork lift drivers, to name a few of the common occupational titles studied by NIOSH that pertain to workers in 146 trade-based businesses.

**Organized Retail Crime Act of 2009**

To amend title 18, United States Code, to combat, deter, and punish individuals and enterprises engaged nationally and internationally in organized crime involving theft and interstate fencing of stolen retail merchandise, and for other purposes.

**Swipe Fee Fix**

Retailers' long fight against the $48 billion in credit and debit card swipe fees imposed each year by banks took a major step forward in May when the Senate approved an amendment sponsored by Majority Whip Richard Durbin requiring that debit card fees be set at a "reasonable" level.

**Employees' Provident Fund Scheme, 1952**

**Provident Fund (PF)**

**Employee Definition:"Employee**" as defined in Section 2(f) of the Act means any person who is employee for wages in any kind of work manual or otherwise, in or in connection with the work of an establishment and who gets wages directly or indirectly from the employer and includes any person employed by or through a contractor in or in connection with the work of the establishment.

**Membership**

All the employees (including casual, part time, Daily wage contract etc.) other then an excluded employee are required to be enrolled as members of the fund the day, the Act comes into force in such establishment.

**Basic Wages**

"Basic Wages" means all emoluments which are earned by employee while on duty or on leave or holiday with wages in either case in accordance with the terms of the contract of employment and witch are paid or payable in cash, but dose not include

a. The cash value of any food concession;
b. Any dearness allowance (that is to say, all cash payment by whatever name called paid to an employee on account of a rise in the cost of living), house rent allowance, overtime allowance, bonus, commission or any other allowance payable to the employee in respect of employment or of work done in such employment.
c. Any present made by the employer.

**Excluded Employee**

"Exclude Employee" as defined under pare 2(f) of the Employees' Provident Fund Scheme means an employee who having been a member of the fund has withdraw the full amount of accumulation in the fund on retirement from service after attaining the age of 55 years; Or An employee, whose pay exceeds ₹ Five Thousand per month at the time, otherwise entitled to become a member of the fund.

**Explanation**

'Pay' includes basic wages with dearness allowance, retaining allowance, (if any) and cash value of food concessions admissible thereon.

**Employee Provident Fund Scheme**

Employees' Provident Fund Scheme takes care of following needs of the members:

(i) Retirement
(ii) Medical Care
(iii) Housing
(iv) Family obligation

(v) Education of Children

(vi) Financing of Insurance Polices

**How the Employees' Provident Fund Scheme Works**

As per amendment-dated 22.9.1997 in the Act, both the employees and employer contribute to the fund at the rate of 12% of the basic wages, dearness allowance and retaining allowance, if any, payable to employees per month. The rate of contribution is 10% in the case of following establishments:

- Any covered establishment with less then 20 employees, for establishments cover prior to 22.9.97.
- Any sick industrial company as defined in clause (O) of Sub-Section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and which has been declared as such by the Board for Industrial and Financial Reconstruction,
- Any establishment which has at the end of any financial year accumulated losses equal to or exceeding its entire net worth and
- Any establishment engaged in manufacturing of (a) jute (b) Breed (d) coir and (e) Guar gum Industries/ Factories. The contribution under the Employees' Provident Fund Scheme by the employee and employer will be as under with effect from 22.9.1997.

**Employees' Provident Fund Interest Rate**

The rate of interest is fixed by the Central Government in consultation with the Central Board of trustees, Employees' Provident Fund every year during March/April. The interest is credited to the members account on monthly running balance with effect from the last day in each year. The rate of interest for the year 1998-99 has been notified as 12%. The rate of interest for 99-2000 w.e.f. 1.7.99 was 11% on monthly balances. 2000-2001 CBT recommended 10.25% to be notified by the Government.

**Benefits**

A) A member of the provident fund can withdraw full amount at the credit in the fund on retirement from service after attaining the age of 55 year. Full amount in provident fund can also be withdrawn by the member under the following circumstance:

- A member who has not attained the age of 55 year at the time of termination of service.
- A member is retired on account of permanent and total disablement due to bodily or mental infirmity.
- On migration from India for permanent settlement abroad or for taking employment abroad.
- In the case of mass or individual retrenchment.

B) In the case of the following contingencies, the payment of provident fund be made after complementing a continuous period of not less than two months immediately preceding the date on which the application for withdrawal is made by the member:

- Where employees of close establishment are transferred to other establishment, which is not covered under the Act:
- Where a member is discharged and is given retrenchment compensation under the Industrial Dispute Act, 1947.

**Withdrawal Before Retirement**

A member can withdraw up to 90% of the amount of provident fund at credit after attaining the age of 54 years or within one year before actual retirement on superannuation whichever is later. Claim application in form 19 may be submitted to the concerned Provident Fund Office.

**Accumulations of a Deceased Member**

Amount of Provident Fund at the credit of the deceased member is payable to nominees/ legal heirs. Claim application in form 20 may be submitted to the concerned Provident Fund Office.

**Transfer of Provident Fund Account**

Transfer of Provident Fund account from one region to other, from Exempted Provident Fund Trust to Unexampled Fund in a region and vice-versa can be done as per Scheme. Transfer Application in form 13 may be submitted to the concerned Provident Fund Office.

**Nomination**

The member of Provident Fund shall make a declaration in Form 2, a nomination conferring the right to receive the amount that may stand to the credit in the fund in the event of death. The member may furnish the particulars concerning himself and his family. These particulars furnished by the member of Provident Fund in Form 2 will help the Organization in the building up the data bank for use in event of death of the member.

**Annual Statement of Account**

As soon as possible and after the close of each period of currency of contribution, annual statements of accounts will de sent to each member through of the factory or other establishment where the member was last employed. The statement of accounts in the fund will show the opening balance at the beginning of the period, amount contribution during the year, the total amount of interest credited at the end of the period or any withdrawal during the period and the closing balance at the end of the period. Member should satisfy themselves as to the correctness f the annual statement of accounts and any error should be brought through employer to the notice of the correctness Provident Fund Office within 6 months of the receipt of the statement.

**The Employees' Provident Fund Organization (EPFO)** is a statutory body of the Government of India under the Ministry of Labour and Employment. It administers a compulsory contributory Provident Fund Scheme, Pension Scheme and an Insurance Scheme. It is one of the largest social security organizations in the world in terms of the number of covered beneficiaries and the volume of financial transactions undertaken

The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 came into effect on 4 March 1952. The organization is administered by a Central Board of Trustees, composed of representatives of the Government of India, provincial governments, employers and employees. The board is chaired by the Union Labour Minister of India. The Chief

Executive of the EPFO, the Central Provident Fund Commissioner, reports to the Union Labour Minister through the Permanent Secretary in the ministry. The headquarters of the organization is in New Delhi.

The Constitution of India under "Directive Principles of State Policy" provides that the State shall within the limits of its economic capacity make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old-age, sickness & disablement and undeserved want. The EPF & MP Act, 1952 was enacted by the Parliament of India and came into force with effect from 1 March 1952 as part of a series of legislative interventions made in this direction. Presently, the following three schemes are in operation under the Act:

1. Employees' Provident Fund Scheme, 1952
2. Employees' Deposit Linked Insurance Scheme, 1976
3. Employees' Pension Scheme, 1995 (replacing the Employees' Family Pension Scheme, 1971)

**Public Provident Fund (PPF)**

**Public Provident Fund (PPF)** is a savings-cum-tax-saving instrument in India. It also serves as a retirement-planning tool for many of those who do not have any structured pension plan covering them. Individuals and Hindu Undivided Families can open the PPF account. Even in the name of a minor account can be opened. A person can have only one account in his name. The account can be opened in designated post offices, State Bank of India branches and branches of some nationalized bank.

Non-resident Indians (NRIs) are not eligible to open an account under the Public Provident Fund Scheme. If a resident who subsequently becomes NRI during the currency of maturity period prescribed under Public Provident Fund Scheme, may continue to subscribe to the fund till its maturity on a non-repatriation basis.

Rate of Return on PPF is 8.8 % p.a. (Compounded annually). Interest is calculated on the lowest balance between the close of the fifth day and the last day of every month.

The contribution to the account can vary from year to year, from a minimum of ₹ 500 to a maximum of ₹ 100,000 in any given year.

Investments in a PPF account can be made in multiples of ₹ 5, either lumpsum, or in installments (not exceeding 12 in a year and more than one deposit can be made in a month). The credit to the PPF account is made on the date of presentation of the cheque and not on the date of its clearance. This allows flexibility in savings.

The tenure of the PPF account is 15 years, which can be further extended in blocks of 5 years each for any number of blocks. The extension can be with or without contribution. An account holder, continuing with fresh subscription, can withdraw up to 60% of the balance to his credit at the commencement of each extended period in one or more installments but only once in a year.

Every subscription shall be made in cash or through a crossed check or draft or postal order, in favor of the accounts office, at the place at which that office is situated. In case of any check, draft or postal order should be drawn at a bank or post office at that place.

Nomination facility is available. In the case of joint nominees, it is possible to allocate the percentage of benefits to each nominee.

A loan repayable in 36 months can be obtained in or after the 3rd year, up to 25 per cent of the balance at the end of the preceding financial year. The interest charged on the loan is 1 per cent higher for the first 36 months, and thereafter, 6 per cent on the outstanding amount. A second loan can be obtained before the end of the 6th financial year if the first one is fully repaid.

**Withdrawals from PPF Account**

A withdrawal is permissible every year from the 7th financial year of the date of opening of the account. Only if the amount does not exceed 50% of the balance at the end of the 4th preceding year, or the year immediately preceding the year of the withdrawal, whichever is lower, less the amount of loan if any. There is no tax on the amount withdrawn. The withdrawal can be used to reinvest in the PPF account.

**PPF Defaults and Revival**

If the PPF account-holder fails to deposit the minimum ₹ 500 in a given financial year, the account is considered as discontinued but the interest will continue to accrue and be paid at the end of the term. Loans and withdrawals are not allowed. This account can be revived on payment of a fee of ₹ 50 for each year of default, along with the arrears of subscription of ₹ 500 for each such year

**PPF Tax Concessions**

Interest earned is fully exempt from tax without any limit. Annual contributions qualify for tax rebate under Section 80C of Income tax Act. Contributions to PPF accounts of the spouse and children are also eligible for tax deduction. Balance in PPF account is not subject to attachment under any order or decree of court. But, Income Tax authorities can attach the account for recovering tax dues. The highest amount that can be deposited is 1,00,000

**Public Provident Fund (PPF) - Key Aspects**

***Who can open an account?***

Any Individual can open account in Public provident Fund (PPF) in his own name or on behalf of minor for whom he is a guardian and HUF. Only one account can be opened in the name of a person. You cannot open a joint account with another individual. The account can only be opened in one person's name. You are free to nominate one or more individuals.

***Where can I open an account?***

PPF account can be opened in any branch of State Bank of India and its subsidiaries.

***What is the time duration of PPF?***

It's a 15 years scheme. The entire balance can be withdrawn on maturity, i.e., after 15 years of the close of the financial year in which you opened the account. However, PPF accounts can be extended for a period of five years after maturity. During these five years, you earn the rate of interest and can also make fresh deposits.

***What are the deposit amount rules?***

Twelve deposits can be made in a financial year. Minimum amount of deposit in a year is ₹ 500 and maximum is ₹ 1,00,000. This is effective from December 1, 2011.

***What is the interest rate on PPF accounts?***

Currently the interest rate offered is 8.60% (effective from December 1, 2011). It may be changed in the future by Government of India.

***Can I make withdrawals?***

You can make one withdrawal every year from the 7th financial year of an amount not exceeding 50% of the balance to your credit at the end of the fourth year immediately preceding the year of withdrawal or at the end of the preceding year, whichever is lower.

***Can I get a loan on my PPF account?***

You can take a loan from the third year of opening your account to the sixth year. Also, the loan amount will be up to a maximum of 25% of the balance in your account at the end of the first financial year (if you opt for the loan in the third year). If you opt for a loan in the fourth year, the second year's balance will be taken in to account and so on.

***Do I get any tax benefits from my PPF account?***

Yes. Under section 80C, you are eligible to claim deductions from your income for contributions made to PPF. Say your taxable income is ₹ 5,00,000 in a year and you contribute the maximum allowed limit of 1,00,000 to PPF. Then your taxable income becomes ₹ 4,00,000. Section 80C allows deductions of upto ₹ 1,00,000 per year from your taxable income. You can contribute the maximum allowed ₹ 1,00,000 to your PPF account and take advantage of the full 80c deduction amount. Besides this benefit, interest earned on your PPF deposits is completely exempt from tax.

***What are the nomination rules?***

Nomination available in the name of one or more persons and the nominee cannot continue account of the deceased subscriber in his/ her own name.

***Can I discontinue contributions in the middle of the 15 years?***

The subscriber may discontinue his account anytime after joining the fund. The repayment of the subscription with interest will be made only after 15 years form the end of the financial year in which the account was opened.

**Law Shops and Establishment Act**

Law is a rule of conduct or procedure established by custom, agreement, or authority. In general, a rule of being or of conduct, established by an authority able to enforce its will; a controlling regulation; the mode or order according to which an agent or a power acts. According to law, the body of rules and principles are governing the affairs of a community and enforced by a political authority; a legal system. The condition of social order and justice is created by adherence to such a system.

***The Bombay shops & Establishments Act, 1948***

*About What*

1. To regulate conditions of work and employment in shops, commercial establishments, residential hotels, restaurants, eating houses, theatres, other places of public entertainment and other establishments.
2. Provisions include Regulation of Establishments, Employment of Children, Young Persons and Women, Leave and Payment of Wages, Health and Safety etc.

*Applicability & Coverage*

1. It applies to all local areas specified in Schedule-I
2. Establishment means any establishment to which the Act applies and any other such establishment to which the State Government may extend the provisions of the Act by notification
3. Employee means a person wholly or principally employed whether directly or through any agency, whether for wages or other considerations in connection with any establishment
4. Member of the family of an employer means, the husband, wife, son, daughter, father, mother, brother or sister and is dependent on such employer

***Returns***

***1. Form-A or Form-B (as the case may be) {Section 7(2)(a), Rule 5}***

Before 15th December of the calendar year, i.e. 15 days before the expiry date. The employer has to submit these forms to the authority notified along with the old certificate of registration and the renewal fees for minimum one year's renewal and maximum of three year's renewal

***2. Form-E (Notice of Change) {Rule 8}***

Within 15 days after the expiry of the quarter to which the changes relate in respect of total number of employees qualifying for higher fees as prescribed in Schedule-II and in respect of other changes in the original statement furnished within 30 days after the change has taken place. (Quarter means quarter ending on 31st March, 30th June, 30th September and 31st December)

**Registers**

1. Form-A {Rule 5} Register showing dates of Lime Washing etc
2. Form-H, Form-J {Rule 20(1)} (if opening & closing hours are ordinarily uniform) Register of Employment in a Shop or Commercial Establishment

3. Form-I {Rule 20(3)}, Form-K (if opening & closing hours are ordinarily uniform) Register of Employment in a Residential Hotel, Restaurant, Eating-House, Theatre, or other places of public amusement or entertainment

4. Form-M {Rule 20(4)} Register of Leave – This and all the above Registers have to be maintained by the Employer

5. Visit Book

This shall be a bound book of size 7” x 6” containing at least 100 pages with every second page consecutively numbered, to be produced to the visiting Inspector on demand. The columns shall be:

i. Name of the establishment or Employer
ii. Locality
iii. Registration Number
iv. Date and
v. Time

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## Lesson 4.2 - IPR Patents, Copy Right and Trade Marks

### Learning Objectives

- Understand IPR, PPF, ESIC and such other laws relevant to retailing
- Learn about procedure and duration of registration
- Familiarize with procedural compliances to establish retail stores In India

### Introduction

A patent is a form of intellectual property. It consists of a set of exclusive rights granted by a sovereign state to an inventor or their assignee for a limited period of time in exchange for the public disclosure of an invention.

The procedure for granting patents, the requirements placed on the patentee, and the extent of the exclusive rights vary widely between countries according to national laws and international agreements. Typically, however, a patent application must include one or more claims defining the invention which must meet the relevant patentability requirements such as novelty and non-obviousness. The exclusive right granted to a patentee in most countries is the right to prevent others from making, using, selling, or distributing the patented invention without permission.

Under the World Trade Organization's (WTO) Agreement on Trade-Related Aspects of Intellectual Property Rights, patents should be available in WTO member states for any invention, in all fields of technology, and the term of protection available should be a minimum of twenty years. In many countries, certain subject areas are excluded from patents, such as business methods and computer programs.

## Definition

The word patent originates from the Latin patere, which means “to lay open” (i.e., to make available for public inspection). More directly, it is a shortened version of the term letters patent, which was a royal decree granting exclusive rights to a person, predating the modern patent system. Similar grants included land patents, which were land grants by early state governments in the USA, and printing patents, a precursor of modern copyright.

In modern usage, the term patent usually refers to the right granted to anyone who invents any new, useful, and non-obvious process, machine, article of manufacture, or composition of matter. Some other types of intellectual property rights are also referred to as patents in some jurisdictions: industrial design rights are called design patents in the US, plant breeders’ rights are sometimes called plant patents, and utility models and Gebrauchsmuster are sometimes called petty patents or innovation patents. The additional qualification utility patent is sometimes used (primarily in the US) to distinguish the primary meaning from these other types of patents.

Examples of particular species of patents for inventions include biological patents, business method patents, chemical patents and software patents.

## Effects

A patent is not a right to practice or use the invention. Rather, a patent provides the right to exclude others from making, using, selling, offering for sale, or importing the patented invention for the term of the patent, which is usually 20 years from the filing date subject to the payment of maintenance fees. A patent is, in effect, a limited property right that the government offers to inventors in exchange for their agreement to share the details of their inventions with the public. Like any other property right, it may be sold, licensed, mortgaged, assigned or transferred, given away, or simply abandoned.

The rights conveyed by a patent vary country-by-country. For example, in the United States, a patent covers research, except “purely philosophical" inquiry. A U.S. patent is infringed by any "making" of the invention, even a making that goes toward development of a new invention—which may itself become subject of a patent.

A patent being an exclusionary right does not, however, necessarily give the owner of the patent the right to exploit the patent. For example, many inventions are improvements of prior inventions that may still be covered by someone else's patent. If an inventor takes an existing, patented mouse trap design, adds a new feature to make an improved mouse trap, and obtains a patent on the improvement, he or she can only legally build his or her improved mouse trap with permission from the patent holder of the original mouse trap, assuming the original patent is still in force. On the other hand, the owner of the improved mouse trap patent can exclude the original patent owner from using the improvement.

Some countries have "working provisions" that require the invention be exploited in the jurisdiction it covers. Consequences of not working an invention vary from one country to another, ranging from revocation of the patent rights to the awarding of a compulsory license awarded by the courts to a party wishing to exploit a patented invention. The patentee has the opportunity to challenge the revocation or license, but is usually required to provide evidence that the reasonable requirements of the public have been met by the working of invention.

**Enforcement**

Patents can generally only be enforced through civil lawsuits (for example, for a U.S. patent, by an action for patent infringement in a United States federal court), although some countries (such as France and Austria) have criminal penalties for wanton infringement. Typically, the patent owner will seek monetary compensation for past infringement, and will seek an injunction prohibiting the defendant from engaging in future acts of infringement.

To prove infringement, the patent owner must establish that the accused infringer practices all the requirements of at least one of the claims of the patent. (In many jurisdictions the scope of the patent may not be limited to what is literally stated in the claims, for example due to the "doctrine of equivalents").

An important limitation on the ability of a patent owner to successfully assert the patent in civil litigation is the accused infringer's right to challenge the validity of that patent. Civil courts are hearing patent cases can and often do declare patents not valid. A patent can be found invalid on grounds that are set out in the relevant patent legislation that vary between countries. Often, the grounds are a subset of requirements for patentability in the relevant country. Although an infringer is generally free to rely on any available ground of invalidity.

Patent licensing agreements are contracts in which the patent owner (the licensor) agrees to forgo their right to sue the licensee for infringement of the licensor's patent rights, usually in return for a royalty or other compensation. It is common for companies engaged in complex technical fields to enter into dozens of license agreements associated with the production of a single product. Moreover, it is equally common for competitors in such fields to license patents to each other under cross-licensing agreements in order to share the benefits of using each other's patented inventions.

Therefore, patents may be enforced through litigation, and a common defense is an invalidity challenge. Patents may also be subject to licensing agreements. The vast majority of patents are however never litigated or even licensed.

**Ownership**

In most countries, both natural persons and corporate entities may apply for a patent. In the United States, however, only the inventor(s) may apply for a patent although it may be assigned to a corporate entity subsequently and inventors may be required to assign inventions to their employers under a contract of employment.

In most European countries, ownership of an invention may pass from the inventor to their employer by rule of law if the invention was made in the course of the inventor's normal or specifically assigned employment duties, where an invention might reasonably be expected to result from carrying out those duties, or if the inventor had a special obligation to further the interests of the employer's company.

The inventors, their successors or their assignees become the proprietors of the patent when and if it is granted. If a patent is granted to more than one proprietor, the laws of the country in question and any agreement between the proprietors may affect the extent to which each proprietor can exploit the patent.

For example, in some countries, each proprietor may freely license or assign their rights in the patent to another person while the law in other countries prohibits such actions without the permission of the other proprietor(s).

The ability to assign ownership rights increases the liquidity of a patent as property. Inventors can obtain patents and then sell them to third parties. The third parties then own the patents and have the same rights to prevent others from exploiting the claimed inventions, as if they had originally made the inventions themselves

## Governing Laws

### Patent law by Countries and Regions

The grant and enforcement of patents are governed by national laws, and also by international treaties, where those treaties have been given effect in national laws. Patents are, therefore, territorial in nature.

Commonly, a nation forms a patent office with responsibility for operating that nation's patent system, within the relevant patent laws. The patent office generally has responsibility for the grant of patents, with infringement being the remit of national courts.

There is a trend towards global harmonization of patent laws, with the World Trade Organization (WTO) being particularly active in this area. The TRIPs Agreement has been largely successful in providing a forum for nations to agree on an aligned set of patent laws. Conformity with the TRIPs agreement is a requirement of admission to the WTO and so compliance is seen by many nations as important. This has also led to many developing nations, which may historically have developed different laws to aid their development, enforcing patents laws in line with global practice.

A key international convention relating to patents is the Paris Convention for the Protection of Industrial Property, initially signed in 1883. The Paris Convention sets out a range of basic rules relating to patents, and although the convention does not have direct legal effect in all national jurisdictions, the principles of the convention are incorporated into all notable current patent systems.

The most significant aspect of the convention is the provision of the right to claim priority: filing an application in any one member state of the Paris Convention preserves the right for one year to file in any other member state, and receive the benefit of the original filing date. Because the right to a patent is intensely date-driven, this right is fundamental to modern patent usage. The authority for patent statutes in different countries varies. In the UK, substantive patent law is contained in the Patents Act 1977 as amended. In the United States, the Constitution empowers Congress to make laws to "promote the Progress of Science and useful Arts..." The laws Congress passed are codified in Title 35 of the United States Code and created the United States Patent and Trademark Office.

In addition, there are international treaty procedures, such as the procedures under the European Patent Convention (EPC) [administered by the European Patent Organization (EPOrg)], and the Patent Cooperation Treaty (PCT) (administered by WIPO and covering more than 140 countries), that centralize some portion of the filing and examination procedure. Similar arrangements exist among the member states of ARIPO and OAPI, the analogous treaties among African countries, and the nine CIS member states that have formed the Eurasian Patent Organization.

## Application and Prosecution

### Patent Application and Patent Prosecution

A patent is requested by filing a written application at the relevant patent office. The person or company filing the application is referred to as "the applicant". The applicant may be the inventor or its assignee. The application contains a description of how to make and use the invention that must provide sufficient detail for a person skilled in the art (i.e., the relevant area of technology) to make and use the invention. In some countries there are requirements for providing specific information such as the usefulness of the invention, the best mode of performing the invention known to the inventor, or the technical problem or problems solved by the invention. Drawings illustrating the invention may also be provided.

The application also includes one or more claims, although it is not always a requirement to submit these when first filing the application. The claims set out what the applicant is seeking to protect in that they define what the patent owner has a right to exclude others from making, using, or selling, as the case may be. In other words, the claims define what a patent covers or the "scope of protection".

After filing, an application is often referred to as "patent pending". While this term does not confer legal protection, and a patent cannot be enforced until granted, it serves to provide warning to potential infringers that if the patent is issued, they may be liable for damages.

For a patent to be granted, that is to take legal effect in a particular country, the patent application must meet the patentability requirements of that country. Most patent office's examine the application for compliance with these requirements. If the application does not comply, objections are communicated to the applicant or their patent agent or attorney and one or more opportunities to respond to the objections to bring the application into compliance are usually provided.

Once granted the patent is subject in most countries to renewal fees to keep the patent in force. These fees are generally payable on a yearly basis, although the US is a notable exception. Some countries or regional patent office's (e.g. the European Patent Office) also require annual renewal fees to be paid for a patent application before it is granted.

**Costs**

The costs of preparing and filing a patent application, prosecuting it until grant and maintaining the patent vary from one jurisdiction to another, and may also be dependent upon the type and complexity of the invention, and on the type of patent.

**Alternatives to applying for a patent**

A defensive publication is the act of publishing a detailed description of a new invention without patenting it, so as to establish prior art and public identification as the creator/originator of an invention, although a defensive publication can also be anonymous. A defensive publication prevents others from later being able to patent the invention.

A trade secret is the act of not disclosing the methods by which a complex invention works or how a chemical is formulated. Trade secrets are protected by nondisclosure agreements and employment law that prevents reverse engineering and information leaks such as breaches of confidentiality and corporate espionage. Compared to patents, the advantages of trade secrets are that a trade secret is not limited in time (it "continues indefinitely as long as the secret is not revealed to the public", whereas a patent is only in force for a specified time, after which others may freely copy the invention), a trade secret does not imply any registration costs, has an immediate effect does not require compliance with any formalities, and does not imply any disclosure of the invention to the public. The disadvantages of trade secrets include that "others may be able to legally discover the secret and be thereafter entitled to use it", "others may obtain patent protection for legally discovered secrets", and a trade secret is more difficult to enforce than a patent.

**Copyright**

**Copyright** is a legal concept, enacted by most governments, giving the creator of original work exclusive rights to it, usually for a limited time. Generally, it is "the right to copy", but also gives the copyright holder the right to be credited for the work, to determine who may adapt the work to other forms, which may perform the work, which may financially benefit from it, and other related rights. It is an intellectual property form (like the patent, the trademark, and the trade secret) applicable to any expressible form of an idea or information that is substantive and discrete.

Copyright initially was conceived as a way for government to restrict printing; the contemporary intent of copyright is to promote the creation of new works by giving authors control of and profit from them. Copyrights are said to be territorial, which means that they do not extend beyond the territory of a specific state unless that state is a party to an international agreement. Today, however, this is less relevant since most countries are parties to at least one such agreement. While many aspects of national copyright laws have been standardized through international copyright agreements, copyright laws of most countries have some unique features. Typically, the duration of copyright is the whole life of the creator plus fifty to a hundred years from the creator's death, or a finite period for anonymous or corporate creations. Some jurisdictions have required formalities to establishing copyright, but most recognize copyright in any completed work, without formal registration. Generally, copyright is enforced as a civil matter, though some jurisdictions do apply criminal sanctions.

Most jurisdictions recognize copyright limitations, allowing "fair" exceptions to the creator's exclusivity of copyright, and giving users certain rights. The development of digital media and computer network technologies have prompted reinterpretation of these exceptions, introduced new difficulties in enforcing copyright, and inspired additional challenges to copyright law's philosophic basis. Simultaneously, businesses with great economic dependence upon copyright have advocated the extension and expansion of their copy rights, and sought additional legal and technological enforcement.

## Justification

### Philosophy of Copyright

Some take the approach of looking for coherent justifications of established copyright systems, while others start with general ethical theories, such as utilitarianism and try to analyze policy through that lens. Another approach denies the meaningfulness of any ethical justification for existing copyright law, viewing it simply as a result (and perhaps an undesirable result) of political processes.

Another widely debated issue is the relationship between copyrights and other forms of "intellectual property", and material property. Most scholars of copyright agree that it can be called a kind of property, because it involves the exclusion of others from something. But there is disagreement about the extent to which that fact should allow the transportation of other beliefs and intuitions about material possessions.

There are many other philosophical questions which arise in the jurisprudence of copyright. They include such problems as determining when one work is "derived" from another, or deciding when information has been placed in a "tangible" or "material" form.

Some critics claim copyright law protects corporate interests while criminalizing legitimate use, while proponents argue the law is fair and just.

Copyright was invented after the advent of the printing press and with wider public literacy. As a legal concept, its origins in Britain were from a reaction to printers' monopolies at the beginning of the 18th century. Charles II of England was concerned by the unregulated copying of books and passed the Licensing of the Press Act 1662 by Act of Parliament, which established a register of licensed books and required a copy to be deposited with the Stationers' Company, essentially continuing the licensing of material that had long been in effect.

**Scope**

Copyright may apply to a wide range of creative, intellectual, or artistic forms, or "works". Specifics vary by jurisdiction, but these can include poems, theses, plays, other literary works, movies, dances, musical compositions, audio recordings, paintings, drawings, sculptures, photographs, software, radio and television broadcasts, and industrial designs. Graphic designs and industrial designs may have separate or overlapping laws applied to them in some jurisdictions.

Copyright does not cover ideas and information themselves, only the form or manner in which they are expressed. For example, the copyright to a Mickey Mouse cartoon restricts others from making copies of the cartoon or creating derivative works based on Disney's particular anthropomorphic mouse, but does not prohibit the creation of other works about anthropomorphic mice in general, so long as they are different enough to not be judged copies of Disney's. In many jurisdictions, copyright law makes exceptions to these restrictions when the work is copied for the purpose of commentary or other related uses (See Fair Use, Fair Dealing). Meanwhile, other laws may impose additional restrictions that copyright does not — such as trademarks and patents.

Copyright laws are standardized somewhat through international conventions such as the Berne Convention and Universal Copyright Convention. These multilateral treaties have been ratified by nearly all countries, and international organizations such as the European Union or World Trade Organization require their member states to comply with them.

**Obtaining and Enforcing Copyright**

Typically, a work must meet minimal standards of originality in order to qualify for copyright, and the copyright expires after a set period of time (some jurisdictions may allow this to be extended). Different countries impose different tests, although generally the requirements are low; in the United Kingdom there has to be some 'skill, labour and judgment' that has gone into it. In Australia and the United Kingdom it has been held that a single word is insufficient to comprise a copyright work. However, single words or a short string of words can sometimes be registered as a trademark instead.

Copyright law recognizes the right of an author based on whether the work actually is an original creation, rather than based on whether it is unique; two authors may own copyright on two substantially identical works, if it is determined that the duplication was coincidental, and neither was copied from the other.

In all countries where the Berne Convention standards apply, copyright is automatic, and need not be obtained through official registration with any government office. Once an idea has been reduced to tangible form, for example by securing it in a fixed medium (such as a drawing, sheet music, photograph, a videotape, or a computer file), the copyright holder is entitled to enforce his or her exclusive rights. However, while registration isn't needed to exercise copyright, in jurisdictions where the laws provide for registration, it serves as prima facie evidence of a valid copyright and enables the copyright holder to seek statutory damages and attorney's fees. The original holder of the copyright may be the employer of the author rather than the author himself, if the work is a "work for hire". For example, in English law the Copyright, Designs and Patents Act 1988 provides that if a copyrighted work is made by an employee in the course of that employment, the copyright is automatically owned by the employer which would be a "Work for Hire."

Copyrights are generally enforced by the holder in a civil law court, but there are also criminal infringement statutes in some jurisdictions. While central registries are kept in some countries which aid in proving claims of ownership, registering does not necessarily prove ownership, nor does the fact of copying (even without permission) necessarily prove that copyright was infringed. Criminal sanctions are generally aimed at serious counterfeiting activity, but are now becoming more commonplace as copyright collectives such as the RIAA are increasingly targeting the file sharing home Internet user. Thus far, however, most such cases against file sharers have been settled out of court.

**Cost of Enforcing Copyright**

In most jurisdictions the copyright holder must bear the cost of enforcing copyright. This will usually involve engaging legal representation, administrative and or court costs. These costs, including time, should be taken into consideration when evaluating the benefits of enforcing copyright. In light of this many copyright disputes are settled by a direct approach to the infringing party in order to settle the dispute out of court.

**"Poor Man's Copyright"**

A widely circulated strategy to avoid the cost of copyright registration is referred to as the "poor man's copyright". It proposes that the creator send the work to himself in a sealed envelope by registered mail, using the postmark to establish the date. This technique has not been recognized in any published opinions of the United States courts. The United States Copyright Office makes it clear that the technique is no substitute for actual registration. The United Kingdom Intellectual Property Office discusses the technique but does not recommend its use.

**Exclusive Rights**

***Several exclusive rights typically attach to the holder of a copyright:***

- To produce copies or reproductions of the work and to sell those copies (including, typically, electronic copies)
- To import or export the work

- To create derivative works (works that adapt the original work)
- To perform or display the work publicly
- To sell or assign these rights to others
- To transmit or display by radio or video.

The phrase “exclusive right” means that only the copyright holder is free to exercise those rights, and others are prohibited from using the work without the holders permission. Copyright is sometimes called a “negative right”, as it serves to prohibit certain people (e.g., readers, viewers, or listeners, and primarily publishers and would be publishers) from doing something they would otherwise be able to do, rather than permitting people (e.g., authors) to do something they would otherwise be unable to do.

In this way it is similar to the unregistered design right in English law and European law. The rights of the copyright holder also permit him/her to not use or exploit their copyright, for some or all of the term. There is, however, a critique which rejects this assertion as being based on a philosophical interpretation of copyright law that is not universally shared. There is also debate on whether copyright should be considered a property right or a moral right.

**Useful Articles**

If a pictorial, graphic or sculptural work is a useful article, it is copyrighted only if its aesthetic features are separable from its utilitarian features. A useful article is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. They must be separable from the functional aspect to be copyrighted.

**Trade Mark**

A **trademark, trade mark,** or **trade-mark** is a distinctive sign or indicator used by an individual, business organization, or other legal entity to identify that the products or services to consumers with which the trademark appears originate from a unique source, and to distinguish its products or services from those of other entities.

A trademark may be designated by the following symbols:

- ™ (for an unregistered trade mark, that is, a mark used to promote or brand goods)
- (for an unregistered service mark, that is, a mark used to promote or brand services)
- ® (for a registered trademark)

A trademark is typically a name, word, phrase, logo, symbol, design, image, or a combination of these elements. There is also a range of non-conventional trademarks comprising marks which do not fall into these standard categories, such as those based on color, smell, or sound.

The owner of a registered trademark may commence legal proceedings for trademark infringement to prevent unauthorized use of that trademark. However, registration is not required. The owner of a common law trademark may also file suit, but an unregistered mark may be protectable only within the geographical area within which it has been used or in geographical areas into which it may be reasonably expected to expand.

The term trademark is also used informally to refer to any distinguishing attribute by which an individual is readily identified, such as the well-known characteristics of celebrities. When a trademark is used in relation to services rather than products, it may sometimes be called a service mark, particularly in the United States

**Fundamental Concepts**

The essential function of a trademark is to exclusively identify the commercial source or origin of products or services, such that a trademark, properly called, indicates source or serves as a badge of origin. In other words, trademarks serve to identify a particular business as the source of goods or services. The use of a trademark in this way is known as trademark use. Certain exclusive rights attach to a registered mark, which can be enforced by way of an action for trademark infringement, while unregistered trademark rights may be enforced pursuant to the common law tort of passing off.

It should be noted that trademark rights generally arise out of the use or to maintain exclusive rights over that sign in relation to certain products or services, assuming there are no other trademark objections.

Different goods and services have been classified by the International (Nice) Classification of Goods and Services into 45 Trademark Classes (1 to 34 cover goods, and 35 to 45 services). The idea of this system is to specify and limit the extension of the intellectual property right by determining which goods or services are covered by the mark, and to unify classification systems around the world.

**Registration**

The law considers a trademark to be a form of property. Proprietary rights in relation to a trademark may be established through actual **use** in the marketplace, or through **registration** of the mark with the **trademarks office** (or "trademarks registry") of a particular jurisdiction. In some jurisdictions, trademark rights can be established through either or both means. Certain jurisdictions generally do not recognize trademarks rights arising through use. If trademark owners do not hold registrations for their marks in such jurisdictions, the extent to which they will be able to enforce their rights through trademark infringement proceedings will therefore be limited. In cases of dispute, this disparity of rights is often referred to as "first to file" as opposed to "first to use." Other countries such as Germany offer a limited amount of common law rights for unregistered marks where to gain protection, the goods or services must occupy a highly significant position in the marketplace — where this could be 40% or more market share for sales in the particular class of goods or services.

In the United States the registration process entails several steps prior to a trademark receiving its Certificate of Registration. First, an Applicant, the individual or entity applying for the registration, files an application to register the respective trademark. The application is then placed in line in the order it was received to be examined by an examining attorney for the U.S. Patent and Trademark Office. Second, following a period of anywhere from three to six months the application is reviewed by an examining attorney to make sure that it complies with all requirements in order to be entitled to registration. This review includes procedural matters such as making sure the applicant's goods or services are identified properly. It also includes more substantive matters such as making sure the applicant's mark is not merely descriptive or likely to cause confusion with a pre-existing applied-for or registered mark. If the application runs afoul of any requirement, the examining attorney will issue an office action requiring the applicant to address certain issues or refusals prior to registration of the mark. Third, and after the examination of the mark has concluded with no issues to be addressed or an applicant has responded adequately to an examining attorney's concerns, the application will be published for opposition. During this 30-day period third-parties who may be affected by the registration of the trademark may step forward to file an Opposition Proceeding to stop the registration of the mark. If an Opposition proceeding is filed it institutes a case before the Trademark Trial and Appeal Board to determine both the validity of the grounds for the opposition as well as the ability of the applicant to register the mark at issue. Fourth, provided that no third-party opposes the registration of the mark during the opposition period or the opposition is ultimately decided in the applicant's favor the mark will be registered in due course.

Outside of the United States the registration process is substantially similar to that found in the U.S. save for one notable exception in many countries: registration occurs prior to the opposition proceeding. In short, once an application is reviewed by an examiner and found to be entitled to registration a registration certificate is issued subject to the mark being open to opposition for a period of typically 6 months from the date of registration.

A registered trademark confers a bundle of exclusive rights upon the registered owner, including the right to exclusive use of the mark in relation to the products or services for which it is registered. The law in most jurisdictions also allows the owner of a registered trademark to prevent unauthorized use of the mark in relation to products or services which are identical or "colourfully" similar to the "registered" products or services, and in certain cases, prevent use in relation to entirely dissimilar products or services. The test is always whether a consumer of the goods or services will be confused as to the identity of the source or origin. An example may be a very large multinational brand such as "Sony" where a non-electronic product such as a pair of sunglasses might be assumed to have come from Sony Corporation of Japan despite not being a class of goods that Sony has rights in.

Once trademark rights are established in a particular jurisdiction, these rights are generally only enforceable in that jurisdiction, a quality which is sometimes known as **territoriality**. However, there is a range of international trademark laws and systems which facilitate the protection of trademarks in more than one jurisdiction

**Maintaining Rights**

Trademarks rights must be maintained through actual lawful use of the trademark. These rights will cease if a mark is not actively used for a period of time, normally 5 years in most jurisdictions. In the case of a trademark registration, failure to actively use the mark in the lawful course of trade, or to enforce the registration in the event of infringement, may also expose the registration itself to become liable for an application for the removal from the register after a certain period of time on the grounds of "non-use". It is not necessary for a trademark owner to take enforcement action against all infringement if it can be shown that the owner perceived the infringement to be minor and inconsequential. This is designed to prevent owners from continually being tied up in litigation for fear of cancellation. An owner can at any time commence action for infringement against a third party as long as it had not previously notified the third party of its discontent following third party use and then failed to take action within a reasonable period of time (called acquiescence). The owner can always reserve the right to take legal action until a court decides that the third party had gained notoriety which the owner 'must' have been aware of. It will be for the third party to prove their use of the mark is substantial as it is the onus of a company using a mark to check they are not infringing previously registered rights. In the US, owing to the overwhelming number of unregistered rights, trademark applicants are advised to perform searches not just of the trademark register but of local business directories and relevant trade press. Specialized search companies perform such tasks prior to application.

All jurisdictions with a mature trademark registration system provide a mechanism for removal in the event of such non use, which is usually a period of either three or five years. The intention to use a trademark can be proven by a wide range of acts as shown in the "Wooly Bull" and "Ashton Vs. Harlee" cases.

If a trademark has been registered, then it is much easier for the trademark owner to demonstrate its trademark rights and to enforce these rights through an infringement action. Unauthorized use of a registered trademark need not be intentional in order for infringement to occur, although damages in an infringement lawsuit will generally be greater if there was an intention to deceive.

For trademarks which are considered to be well known, infringing use may occur where the use occurs in relation to products or services which are not the same as or similar to the products or services in relation to which the owner's mark is registered. A growing area of law relating to the enforcement of trademark rights is secondary liability, which allows for the imputation of liability to one who has not acted directly to infringe a trademark but whose legal responsibility may arise under the doctrines of either contributory or vicarious liability.

## Comparison with Patents, Designs And Copyright

### Functionality Doctrine

While trademark law seeks to protect indications of the commercial source of products or services, patent law generally seeks to protect new and useful inventions, and registered designs law generally seeks to protect the look or appearance of a manufactured article. Trademarks, patents and designs collectively form a subset of intellectual property known as industrial property because they are often created and used in an industrial or commercial context.

By comparison, copyright law generally seeks to protect original literary, artistic and other creative works. Continued active use and re-registration can make a trademark perpetual, whereas copyright usually lasts for the duration of the author's lifespan plus 70 years for works by individuals, and some limited time after creation for works by bodies corporate. This can lead to confusion in cases where a work passes into the public domain but the character in question remains a registered trademark.

Although intellectual property laws such as these are theoretically distinct, more than one type may afford protection to the same article.

For example, the particular design of a bottle may qualify for copyright protection as a non-utilitarian [sculpture], or for trademark protection based on its shape, or the 'trade dress' appearance of the bottle as a whole may be protectable. Titles and character names from books or movies may also be protectable as trademarks while the works from which they are drawn may qualify for copyright protection as a whole.

Drawing these distinctions is necessary, but often challenging for the courts and lawyers, especially in jurisdictions where patents and copyrights pass into the public domain, depending on the jurisdiction. Unlike patents and copyrights, which in theory are granted for one-off fixed terms, trademarks remain valid as long as the owner actively uses and defends them and maintains their registrations with the competent authorities. This often involves payment of a periodic renewal fee.

As a trademark must be used to maintain rights in relation to that mark, a trademark can be 'abandoned' or its registration can be cancelled or revoked if the mark is not continuously used. By comparison, patents and copyrights cannot be 'abandoned' and a patent holder or copyright owner can generally enforce their rights without taking any particular action to maintain the patent or copyright. Additionally, patent holders and copyright owners may not necessarily need to actively police their rights. However, a failure to bring a timely infringement suit or action against a known infringer may give the defendant a defense of implied consent or estoppels when suit is finally brought.

**Service Mark**

Service Marks are marks used in any form of service business where actual goods under that mark are not traded. Services are identifying the source of Service provided by Company/Firm/Individuals. Services are offered and purchased. These marks will now be statutorily protected under The Trade Marks Act, 1999.

Following Services are now protected as a SERVICE MARK in INDIA under the Trademarks Act, 1999.

- Insurance; financial affairs; monetary affairs; real estate affairs
- Building construction; repair; installation services

- Telecommunications
- Transport; packaging & storage of goods; travel arrangement
- Treatment of materials
- Education; providing of training; entertainment; sporting & cultural activities

Scientific & technological services, research & design; industrial analysis & research services; design & development of computer hardware & software; legal services. Services for providing food & drink are: temporary accommodation, Medical services, veterinary services, hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services. Personal and social services rendered by others to meet the needs of individuals; security services for the protection of property and individuals.

**Parker & Parker Company;**

Providing the professional service for Registration of Service Mark for Individuals/Firms and Companies at the earliest possible opportunity. Marks include the firm or corporate name of the individual or company or firm providing the service. Once a mark is registered, you can prevent other persons from using the same mark for similar Services.

A **service mark** or **service mark** is a trademark used in some countries, notably the United States, to identify a service rather than a product. When a service mark is federally registered, the standard registration symbol ® or «Reg U.S. Pat & TM Off» may be used (the same symbol is used to mark registered trademarks). Before it is registered, it is common practice (with some legal standing) to use the service mark symbol

**Use of a Service Mark**

A service mark differs from a trademark in that the mark is used on the advertising of the service rather than on the packaging or delivery of the service, since there is generally no "package" to place the mark on, which is the practice for trademarks. For example, a private carrier can paint its service mark on its vehicles, such as on planes or buses. Personal service providers can place their service marks on their delivery vehicles, such as on the trucks of plumbers or on moving vans. However, if the service deals with communications, it is possible to use a service mark consisting of a sound (a sound trademark) in the process of delivering the service. This has been done in the case of AT&T, which uses a tone sound followed by a woman speaking the company's name to identify its long distance service, MGM, which uses the sound of a lion's roar, and RKO, which uses a Morse code signal for their motion pictures.

Under United States law, service marks have a different standard of use in order to count as a use in commerce, which is necessary to complete registration and to stop infringement by competitors. A trademark normally needs to be used on or directly in association with the sale of goods, such as on a store display. As services are not defined by a concrete product, use of a service mark on the uniforms or vehicles of service providers or in advertisements is instead accepted as a use in commerce. However, like trademarks, service marks must pass a test of distinctiveness for it to be qualified as a service mark. Thrifty, Inc. attempted to submit a service mark application which described aspects of their business (uniforms, buildings, certain vehicles) as "being blue"; the application was rejected for not being specific enough, and the rejection was upheld on appeal

The **service mark symbol**, designated by ℠ (the letters SM written in superscript style), is a symbol commonly used in the United States to provide notice that the preceding mark is a service mark. This symbol has some legal force, and is typically used for service marks not yet registered with the U.S. Patent and Trademark Office; registered service marks are instead marked with the same symbol used for registered trademarks, the registered trademark symbol ®. The proper manner to display the symbol is immediately following the mark in superscript style.

The character is mapped in Unicode as U+2120 ℠ service mark. Unlike the similar trademark symbol, there is no simple built-in way to type the service mark symbol on Microsoft Windows or Macintosh systems though it is easily created on Linux systems with the key combination "Compose,

**Service Mark India: Service Mark Application & Litigation**

The Trade Marks Act, 1999 has come into force from the 15th of September 2003. An important feature of the Act is the introduction of the registration of Service Marks in India. Previously, Service Mark registration in India was not allowed. Protection of service marks was available only under the common Law. From September 2003, it has now become possible to separately register and therefore statutorily protect Service Marks.

What are Service Marks? Service Marks are marks used in any form of service business where actual goods under that mark are not traded. For instance, a Hotel or a restaurant is a service: under the marks Taj, Oberoi, Sheraton, Meridian, Sher-e-Punjab, Khyber, Chinese Room, no goods are traded, but services are offered and purchased, these marks will now be statutorily protected under the Act. Similarly, marks for software services or business process outsourcing services, or health, insurance, repair services or airlines services or educational services can be protected by registration.

Goods and Services are classified under various clauses. Under the old trademark law, Only 34 clauses for goods were available. Under the Act of 99, 11 more clauses have been created for protection of service marks, i.e. clauses 34 to 45.

The services under these clauses are classified as follows:

- **Clause 35:** Advertising; business management; business administration; office functions
- **Clause 36:** Insurance; financial affairs; monetary affairs; real estate affairs
- **Clause 37:** Building construction; repair; installation services
- **Clause 38:** Telecommunications
- **Clause 39:** Transport; packaging & storage of goods; travel arrangement
- **Clause 40:** Treatment of materials
- **Clause 41:** Education; providing of training; entertainment; sporting & cultural activities
- **Clause 42:** Scientific & technological services, research & design; industrial analysis & research services; design & development

of computer hardware & software; legal services. Services for providing food & drink; temporary accommodation. Medical services; veterinary services; hygienic and beauty care for human beings or animals; agriculture, horticulture and forestry services. Personal and social services rendered by others to meet the needs of individuals; security services for the protection of property and individuals.

These are general clauses. Each class has hundreds of entries for services falling under a class. Thus, for instance, Compilation of information into computer databases is a service falling in class 35 but a service for providing financial information is a service falling in class 36. Again, a service providing Installation, maintenance and repair of Computer hardware falls in class 37 but Installation and Maintenance of Computer software falls in class 42. Class 43 covers hotel and restaurant services. Medical clinics and Beauty parlors fall in class 44 and horoscope casting in clause 45.

**Collective Mark**

A collective trade mark or collective mark is a trademark owned by an organization (such as an association), who's members use them to identify themselves with a level of quality or accuracy, geographical origin, or other characteristics set by the organization.

Collective trademarks are exceptions to the underlying principle of trade marks in that most trademarks serve as "badges of origin"; they indicate the individual source of the goods or services. A collective trade mark, however, can be used by a variety of traders, rather than just one individual concern, provided that the trader belongs to the association.

Collective trademarks differ from certification marks. The main difference is that collective trademarks may be used by particular members of the organization which owns them, while certification marks may be used by anybody who complies with the standards defined by the owner of the particular certification mark.

**Regulations on use**

Trade mark laws provide for the filing of the regulations as an additional requirement for registration of the collective trade mark.

The regulations shall normally specify:

- The name and seat of the organization,
- Information on the members authorized to use the collective trade mark, including their names, addresses and seats,
- The conditions of membership,
- The conditions of use of the collective trade mark,
- The prescriptions relating to the control of the use of the collective trade mark,
- The order of proceedings against unauthorized use of the collective trade mark.

The main purpose of the regulations is to protect consumers against misleading practices.

A collective mark is a mark used by a collective group on their individual goods and services. There are two different types of such collective marks.

The first type of collective mark is a collective membership mark. This is used by merchants to indicate that they are members of some collective group. For example, the mark CPA, used by an accountant, indicates that the accountant is a member of the Society of Certified Public Accountants. Unlike trademarks or service marks, collective membership marks are not actually used to indicate the source of the goods or services - instead, they indicate that the seller is part of a defined group.

However, the second type of collective marks, collective trademarks and collective service marks, do indicate source. Such collective marks are used by a group to indicate that the goods or services offered by each individual member of the group are products or services of the collective. For example, when the Girl Scouts sell their cookies, they use the GIRL SCOUTS mark as a collective trade mark - no matter who is selling Girl Scout cookies; the purchaser knows that the cookies are Girl Scout products.

It should be noted that collective trademarks and collective service marks are very similar to certification marks, except that certification marks are owned by an individual and can be used by anyone who meets the certification standards, while collective marks are owned by a group and can only be used by members of that collective group.

Under the intellectual property law of most countries, there are provisions on the protection of **collective marks**. Collective marks are usually defined as signs which distinguish the geographical origin, material, and mode of manufacture or other common characteristics of goods or services of different enterprises using the collective mark. The owner may be either an association of which those enterprises are members or any other entity, including a public institution or a cooperative.

The owner of the collective mark is responsible for ensuring the compliance with certain standards (usually fixed in the regulations concerning the use of the collective mark) by its members. Thus, the function of the collective mark is to inform the public about certain particular features of the product for which the collective mark is used. Most countries require that an application for a collective mark be accompanied by a copy of the regulations which govern the use of the collective mark.

Collective marks are often used to promote products which are characteristic of a given region. In such cases, the creation of a collective mark has not only helped to market such products domestically and occasionally internationally, but has also provided a framework for cooperation between local producers. The creation of the collective mark, in fact, must go hand in hand with the development of certain standards and criteria and a common strategy. In this sense, collective marks may become powerful tools for local development.

Consider, in particular products which may have certain characteristics which are specific to the producers in a given region, linked to the historical, cultural, social conditions of the area. A collective mark may be used to embody such features and as the basis for the marketing of the said products, thus benefiting all producers.

Associations of SMEs may, therefore, register collective marks in order to jointly market the products of a group of SMEs and enhance product recognition. Collective marks may be used together with the individual trademark of the producer of a given good. This allows companies to differentiate their own products from those of competitors, while at the same time benefiting from the confidence of the consumers in products or services offered under the collective mark.

Collective may therefore represent useful instruments for SMEs assisting them to overcome some of the challenges associated with small size and isolation in the market place. National industrial property offices will be able to provide more information on the procedures for the registration and use of collective and certification marks.

**Certification Marks**

A ***certification mark*** on a commercial product may indicate several things:

- The existence of a legal follow-up or product certification agreement between the *manufacturer* of a product and an organization with national accreditation for *both* testing and certification,
- Legal evidence that the product was successfully tested in accordance with a nationally accredited standard,
- Legal assurance the accredited certification organization has ensured that the item that was successfully tested is identical to that which is being offered for sale,
- Legal assurance that the successful test has resulted in a certification listing, which is considered public information, which sets out the tolerances and conditions of use for the certified product, to enable compliance with the law through listing and approval use and compliance,
- Legal assurance that the manufacturer is being regularly audited by the certification organization to ensure the maintenance of the original process standard that was employed in the manufacture of the test specimen that passed the test. If the manufacturer should fail an audit, all product that was certified, including labels of stock on hand, on construction sites, with end-user customers and on distributor store shelves, can be mandated by the certification organization in charge to be immediately removed, and can insist that all stakeholders be informed that the de-listed product certification is no longer eligible for use in field installations.

On the part of the certifier, the label itself is a type of trademark whereby the listee, or manufacturer, uses the mark to indicate eligibility of the products for use in field installations in accordance with the requirements of the code, and/or the origin, material, mode of manufacture of products, mode of performance of services, quality, accuracy of other characteristics of products or services.

Counterfeit consumer goods sometimes have bogus certification marks. Consumers need to have caution

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Counterfeit consumer goods sometimes have bogus certification marks. Consumers need to have caution

**Certification Marks Distinguished from Other Marks**

Certification marks differ from collective trade marks. The main difference is that collective trademarks may be used by particular members of the organization which owns them, while certification marks are the only evidence of the existence of follow-up agreements between manufacturers and nationally accredited testing and certification organizations. Certification organizations charge for the use of their labels and are thus always aware of exact production numbers.

In this way, certification organizations can be seen to earn a commission from sales of products under their follow-up regimes. In return, the use of the certification marks enables the product sales in the first place.

Certification is often mistakenly referred to as an “approval”, which is often not true. Organizations such as Underwriters Laboratories, and CSA International for instance, only “list”, they do not approve anything except the use of the mark to show that a product has been certified. Thus, for instance a product certification mark for a fire door or for a spray fireproofing product, does not signify its universal acceptance for use within a building. Approvals are up to the Authority Having Jurisdiction (AHJ), such as a municipal building inspector or fire prevention officer. Conversely, FM Global does use the term “Approvals” for its certification listings, which are intended for use of the products within buildings that are insured by FM Global. The German accredit or Deutsches Institute FÜR Bautechnik (DIBT) issues “Approvals” for systems. All of these listed products must conform to listing and approval use and compliance.

For various reasons, usually relating to technical issues, certification marks are difficult to register, especially in relation to services. One practical workaround for trade mark owners is to register the mark as an ordinary trade mark in relation to quality control and similar services.

Certification marks can be owned by independent companies absolutely unrelated in ownership to the companies, offering goods or rendering services under the particular certification mark.

## Procedural Compliance for Establishing a Retail Store

The dream of starting a retail business can easily become a reality. It may take a lot of initial work as you start your own business, but with the right planning anyone can achieve their goals.

The following steps to starting a retail business should be used as a guide before you open a store.

### 1. Choose a Business Legal Structure

Choosing the proper legal organizational structure for your business is one of the most important decisions you will make. While it is possible to change your structure at a later date, it can be a difficult and expensive process. Therefore it's better to make the right decision before you start your own business.

### 2. Choose a Name for Your Retail Business

Dreaming up a moniker may come easy for some, but others struggle with the task. Here are some do's and don'ts for naming your own retail business.

### 3. Apply for an EIN

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. Here's why you need one and how to apply online for an EIN before you start your own business.

**4. Decide What Products to Sell**

Finding a product for your retail business to sell may very well be the most difficult decision you will need to make when starting a retail business. Before you commit to a product or product line, consider these factors while deciding what to resell.

**5. Write a Business Plan**

Whether it is formal or informal, on paper or on disk, the process of creating a business plan will only help your business become successful. It is one of the most crucial steps in starting a retail business. Learn how to write a business plan for your retail store, why writing a business plan is necessary, purchase business plan software and view free sample retail business plans.

**6. Learn the Laws**

Understand what business licenses and permits you need to obtain by contacting your city, county and state government offices. Before you start your own business, find out what laws govern your type of retail store. Consider consulting with both a lawyer and an accountant, as each will help you properly organize your business.

**7. Find a Location**

Where you choose to locate your retail business will have a major impact on everything your shop does. The difference between selecting the wrong location and the right site could be the difference between business failure and success.

**8. Buy Wholesale Products to Resell**

A successful retail business depends greatly on offering the right product, at the right price, at the right time. Therefore, it is paramount to the success of your business to be able to locate the best sources for those products. As you take this step to starting a retail business and decide what products or product lines you would like to sell, it's then time to find places to buy those items at wholesale.

**9. Establish Store Policies**

The best time to establish policies and procedures for your retail business is during the planning stages. By anticipating problems before you open your doors, you can choose how you'll handle special situations, as well as the normal day to day operations. This helps avoid making mistakes once you're faced with customers.

**10. Spread the Word**

Before you open a retail store, start spreading the word. Create a retail marketing plan, brainstorm sales promotion ideas, begin branding and advertising your retail store. Learn how to use loss leaders, media buys and sales events to the benefit of your retail shop

## Guiding Principles and Standards of Conduct

### Compliance with Laws

All directors, officers and employees of the Company are expected to understand, respect and comply with all of the laws, rules and regulations of central and state governments and appropriate regulatory agencies and the policies and procedures of the Company that apply to them in their position with the Company. Employees are responsible for talking to their supervisor to determine which laws, rules, regulations, policies and procedures apply to their position and what training is necessary to understand and comply with them.

The Company has suppliers, customers and competitors in every country in which we do business. Each of those many countries has laws that regulate how we interact with those groups as we conduct business. At the same time, the Company is subject to laws in the various countries in which we do business. It is vitally important that we comply with all applicable laws and regulations that affect our global business operations.

### Conflicts of Interest

It is the Company's policy to conduct its business with the highest standards of integrity and in accordance with all applicable laws and regulations. All directors, officers and employees and others acting on behalf of the Company, therefore, must be free from conflicts of interest or apparent conflicts of interest that could adversely influence their judgment, objectivity or loyalty to the Company in conducting Company business activities and assignments.

A"conflict of interest" exists whenever an individual's personal (including the individual's family and friends) interests interfere or reasonably appear to interfere with the interests of the Company. The Company recognizes that directors, officers and employees may take part in legitimate financial, business and other activities outside of their Company jobs, but any potential conflict of interest raised by those activities must be disclosed promptly to management.

It is imperative to avoid actions or relationships that might conflict or appear to conflict with job responsibilities or the interests of the Company. Management approval should be sought before engaging in outside activities, financial interests or relationships that may pose a real or potential conflict of interest. Management approval is subject to ongoing review and it is expected that management will be updated on any such involvement.

**Taking of Company Opportunity**

Directors, officers and employees are prohibited from (a) taking for themselves personal opportunities that properly belong to the Company or are discovered through the use of corporate property, information or position; (b) using corporate property, information or position for personal gain; and (c) competing with the Company.

**Protection and Proper Use of Company Assets**

All directors, officers and employees should protect the Company's intellectual property and other assets and ensure their efficient and proper use. Permitting the Company's property, including electronically transmitted and stored data and computer resources, to be damaged, lost or used in an unauthorized manner is strictly prohibited.

**Confidentiality of Information**

Directors, officers and employees must maintain the confidentiality of non-public information entrusted to them by the Company or its customers or vendors, except when disclosure is specifically authorized by applicable law, rule or regulation. Confidential information includes all non-public information that might be of use to competitors of the Company or harmful to the Company, its customers, vendors or employees if disclosed.

**Fair Dealing**

The Company seeks to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. As such, using another party's proprietary information, including trade secrets, without the appropriate party's consent, is prohibited.

Each director, officer and employee is expected to deal fairly with the Company's customers, vendors, competitors, officers and employees. No one should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts or any other unfair dealing.

**Business Gifts and Entertainment**

The term "business gifts" in this policy includes business entertainment, as well as gift items. The giving of business gifts is a customary way to strengthen business relationships and, with some restrictions, is a lawful business practice. Company employees may give and receive appropriate, lawful business gifts in connection with their Company work with customers and other nongovernmental parties, provided that all such gifts are nominal in value and not given or received with the intent or prospect of influencing the recipient's business decision-making.

Special laws and rules apply to gifts to government employees and it is Company policy to strictly comply with all such restrictions. Bribery is illegal and violates this policy. Company policy does not allow for corrupt practices in any form, including bribery.

**Preparation and Retention of Financial Records**

All of the Company's books, records, accounts and financial statements must appropriately reflect the Company's transactions in accordance with generally accepted accounting principles and conform to applicable legal requirements and to the Company's system of internal controls as well as to its disclosure controls and procedures. Records should always be retained or destroyed according to applicable laws.

**Securities Trading and Insider Information**

It is unethical and illegal for a director, officer or employee to place a purchase or sell order or recommend that another person place a purchase or sale order in the stock of Sentry Technology Corporation when they have knowledge of material information concerning the Company that has not been disclosed to the public. In addition, it is unethical and illegal for a director, officer or employee to place a purchase or sell order or recommend that another person place a purchase or sell order in the securities of another corporation, if they learn in the course of their employment or position as director of the Company, confidential information about the corporation that is likely to affect the value of those securities.

**Reporting Illegal or Unethical Behavior**

This policy relates to the reporting of certain situations that do not involve accounting, auditing or other financial-related matters. Directors, officers and employees who reasonably suspect or know of violations or apparent violations of the Code of Ethics or other illegal or unethical business or workplace conduct, including actions or omissions to act, by directors, officers or employees, are required to promptly report (anonymously or otherwise) the violation or conduct to the management. Such communications will be kept confidential to the extent feasible, subject to applicable law. Records of all investigations will be maintained in accordance with the Company's document retention policy. The Company will take all appropriate action in response to any complaints including, but not limited to, disciplinary action (up to and including termination) and reporting misconduct to the relevant civil or criminal authorities as required by law.

### Reporting Accounting, Auditing and Financial Concerns

Employees and others acting on the Company's behalf have a responsibility for the accuracy, thoroughness and timeliness of actual and forecasted financial information and for compliance with the Company's internal controls over financial reporting, disclosure controls and procedures, document retention and auditing policies. We ensure compliance with these policies through our internal and independent auditors, and by monitoring the integrity of our financial management and reporting systems. Company employees having concerns or complaints regarding questionable accounting, auditing or financial reporting matters of the Company are requested to submit those concerns or complaints, on a confidential, anonymous basis, directly to to the management & will follow up promptly on all credible allegations, with further investigation conducted if necessary. Mr an employee's request for confidentiality and/or anonymity is maintained and will strive to keep the identity of other complainants as confidential as possible, consistent with the need to conduct an adequate review and investigation. Records of all investigations will be maintained in accordance with the Company's document retention policy. The Company will take all appropriate action in response to any complaints including, but not limited to, disciplinary action (up to and including termination) and reporting misconduct to the relevant civil or criminal authorities as required by law.

## Summary

A patent is a form of intellectual property. It consists of a set of exclusive rights granted by a sovereign state to an inventor or their assignee for a limited period of time in exchange for the public disclosure of an invention. The procedure for granting patents, the requirements placed on the patentee, and the extent of the exclusive rights vary widely between countries according to national laws and international agreements. Typically, however, a patent application must include one or more claims defining the invention which must meet the relevant patentability requirements such as novelty and non-obviousness. The exclusive right granted to a patentee in most countries is the right to prevent others from making, using, selling, or distributing the patented invention without permission. A trademark, trade mark, or trade-mark is a distinctive sign or indicator used by an individual, business organization, or other legal entity to identify that the products or services to consumers with which the trademark appears originate from a unique source, and to distinguish its products or services from those of other entities. Service Marks are marks used in any form of service business where actual goods under that mark are not traded. Services are identifying the source of Service provided by Company/Firm/Individuals. Services are offered and purchased. These marks will now be statutorily protected under The Trade Marks Act, 1999. The dream of starting a retail business can easily become a reality. It may take a lot of initial work as you start your own business, but with the right planning anyone can achieve their goals

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## Lesson 4.3 - Customer Rights and Consumer Protection Act

### Learning Objectives

- Learn about unfair trade practices
- Understand the need for consumer protection

### Introduction

Consumer protection consists of laws and organizations designed to ensure the rights of consumers as well as fair trade competition and the free flow of truthful information in the marketplace. The laws are designed to prevent businesses that engage in fraud or specified unfair practices from gaining an advantage over competitors and may provide additional protection for the weak and those unable to take care of themselves. Consumer protection laws are a form of government regulation which aim to protect the rights of consumers. For example, a government may require businesses to disclose detailed information about products—particularly in areas where safety or public health is an issue, such as food. Consumer protection is linked to the idea of "consumer rights" (that consumers have various rights as consumers), and to the formation of consumer organizations, which help consumers make better choices in the marketplace and get help with consumer complaints.

Other organizations that promote consumer protection include government organizations and self-regulating business organizations such as consumer protection agencies and organizations. A consumer is defined as someone who acquires goods or services for direct use or ownership rather than for resale or use in production and manufacturing.

Consumer interests can also be protected by promoting competition in the markets which directly and indirectly serve consumers, consistent with economic efficiency, but this topic is treated in competition law.

Consumer protection can also be asserted via non-government organizations and individuals as consumer activism

## Consumer Law

Consumer protection law or consumer law is considered an area of law that regulates private law relationships between individual consumers and the businesses that sell those goods and services. Consumer protection covers a wide range of topics, including but not necessarily limited to product liability, privacy rights, unfair business practices, fraud, misrepresentation, and other consumer/business interactions.

Consumer protection laws deal with a wide range of issues including credit repair, debt repair, product safety, service and sales contracts, bill collector regulation, pricing, utility turnoffs, consolidation, personal loans that may lead to bankruptcy.

In India, the relevant agency is the National Consumer Disputes Commission and the Ministry of Consumer Affairs, Also organizations like Akosha.com and Mouthshut.com play a vital role in helping consumers articulate their concerns and resolve their problems as well. In India the major law governing the consumer protection is Consumer Protection Act of 1986 — Under this law Separate Consumer tribunals have been set up throughout India in each and every district in which a consumer [complaint can be filed by both the consumer of a goods as well as of the services] can file his complaint on a simple paper without paying any court-fees and his complaint will be decided by the Presiding Officer of the District Level. Appeal could be filed to the State Consumer Forum and after that to the national Consumer Forum. The procedures in these tribunals are relatively less formal and more people friendly and they also take less time to decide upon a legal [consumer] dispute when compared to the years long time taken by the traditional Indian judicial courts. IN recent years many effective judgment have been passed by some state and National Consumer Forums.

## Consumer Rights and its Expansion

India has been observing 15 March since 1989 as the National Consumers' Day. This day has a historic importance as it was on this day in 1962, when the Bill for Consumer Rights was moved in the US Congress. During his speech President John F. Kennedy had remarked:

"If a consumer is offered inferior products, if prices are exorbitant, if drugs are unsafe or worthless, if the consumer is unable to choose on an informed basis, then his dollar is wasted, his health and safety may be threatened, and national interest suffers."

John F. Kennedy had equated the rights of the ordinary American consumer with national interest. He gave the American consumer four basic rights:

1. The Right to Safety - to be protected against the marketing of goods which are hazardous to health or life.
2. The Right to Choose - to be assured, wherever possible, access to a variety of products and services at competitive prices: and in those industries where competition is not workable and Government regulation is substituted, an assurance of satisfactory quality and service at fair prices.
3. The Right to Information - to be protected against fraudulent, deceitful or grossly misleading information, advertising, labeling, or other practices and to be given the facts s/he needs to make an informed choice.
4. The Right to be heard - to be assured that consumer interests will receive full and sympathetic consideration in the formulation of Government policy, and fair and expeditious treatment in its administrative tribunals.

### India's Global Reputation

Laws, rules, regulations and orders (for which India has unparalleled distinction in the Guinness book of records) alone do not protect consumers, but it is the rights' movement of people which produce results in a democracy.

One of the greatest achievements of the Indian consumer movement is the enactment of the dynamic consumer law: COPRA. Coming 39 years after Independence, it has acknowledged the rampant consumer abuses, including those of the government owned public utilities like telephones, transport, power etc. These utilities, in the first place, were created as state monopolies ostensibly to protect consumers!

Critics of COPRA rightly conclude that it can't do anything about rising prices, but it has succeeded in bringing about fair play in the supply of goods and services available in the market place, giving substance to the adage: Customer is King. Also, COPRA has encouraged active consumer bodies to demand, and perhaps see in the near future, independent Public Utility Regulatory Commissions to debate costing, pricing and promote competition.

This confidence emanates from the empowerment of voluntary organizations in COPRA and other consumer laws. While right to information is enshrined in COPRA, addition of the enlarged Right to Know in the fundamental rights chapter of the Indian Constitution would only result in meaningful empowerment - no more tight rope walking, but total glasnost.

In fact the Central Consumer Protection Council has recommended to the Government to enact a Freedom of Information Act on the pattern of a similar law in the US. Another major achievement of the Indian consumer movement in the context of the world scenario was to get the government in 1989, to adopt 15 March, the World Consumer Rights Day, as the National Consumers' Day. Unlike the Labour Day on 1 May, which has roots in the US, the Consumer Rights Day, which also has roots in the US, is not even observed there?

Today India is the only country in the world, which has exclusive courts for consumer redressal. At the IOCU's 13th World Congress held in Hong Kong during 7-13 July 1991 it came in for praise and developed countries were called upon to emulate. In the same year, these developments inspired Jim Sugar man, a noted US consumer activist and a close associate of Ralph Nader, to candidly observe: "India is getting a global reputation for the rapid development of its consumer movement."

**Consumer ProtectionAct-1986**

- It extends to the whole of India except the State of Jammu and Kashmir.
- It shall come into force on such date as the Central Government may, by notification, appoint and different dates may be appointed for different States and for different provisions of this Act.

Save as otherwise expressly provided by the Central Government by notification, this

**The Central Consumer Protection Council**

The objects of the Central Council shall be to promote and protect the rights of the consumers such as,—

(a) The right to be protected against the marketing of goods and services which are hazardous to life and property;

(b) The right to be informed about the quality, quantity, potency, purity, standard and price of goods or services, as the case may be so as to protect the consumer against unfair trade practices;

(c) The right to be assured, wherever possible, access to a variety of goods and services at competitive prices;

(d) The right to be heard and to be assured that consumer›s interests will receive due consideration at appropriate forums;

(e) The right to seek redressal against unfair trade practices or restrictive trade practices or unscrupulous exploitation of consumers; and

(f) The right to consumer education.

**The State Consumer Protection Councils**.- The objects of every State Council shall be to promote and protect within the State the rights of the consumers laid down in clauses (a) to (f) of section 6.

**Consumer Disputes Redressal Agencies**

(a) a Consumer Disputes Redressal Forum to be known as the "District Forum" established by the State Government in each district of the State by notification:

Provided that the State Government may, if it deems fit, establish more than one District Forum in a district.

(b) a Consumer Disputes Redressal Commission to be known as the «State Commission» established by the State Government in the State by notification; and

(c) a National Consumer Disputes Redressal Commission established by the Central

**Manner in which complaint shall be made—(1)** A complaint in relation to any goods sold or delivered or agreed to be sold or delivered or any service provided or agreed to be provided may be filed with a District Forum by –

(a) the consumer to whom such goods are sold or delivered or agreed to be sold or delivered or such service provided or agreed to be provided;

(b) any recognized consumer association whether the consumer to whom the goods sold or delivered or agreed to be sold or delivered or service provided or agreed to be provided is a member of such association or not;

(c) one or more consumers, where there are numerous consumers having the same interest, with the permission of the District Forum, on behalf of, or for the benefit of, all consumers so interested; or

(d) the Central Government or the State Government, as the case may be, either in its individual capacity or as a representative of interests of the consumers in general.

**Procedure on admission of complaint: — (1) The District Forum shall, on admission of a complaint, if it relates to any goods,—**

Refer a copy of the admitted complaint, within twenty-one days from the date of its admission to the opposite party mentioned in the complaint directing him to give his version of the case within a period of thirty days or such extended period not exceeding fifteen days as may be granted by the District Forum;

**Appeal** — any person aggrieved by an order made by the District Forum may prefer an appeal against such order to the State Commission within a period of thirty days from the date of the order, in such form and manner as may be prescribed:

It is provided that the State Commission may entertain an appeal after the expiry of the said period of thirty days if it is satisfied that there was sufficient cause for not finding it within that period.

It is provided further that no appeal by a person, who is required to pay any amount in terms of an order of the District Forum, shall be entertained by the State Commission unless the appellant has deposited in the prescribed manner fifty per cent of that amount or twenty-five thousand rupees, whichever is less.

**Hearing of Appeal** - An appeal filed before the State Commission or the National Commission shall be heard as expeditiously as possible and an endeavour shall be made to finally dispose of the appeal within a period of ninety days from the date of its admission:

It is provided that no adjournment shall be ordinarily granted by the State Commission or the National Commission, as the case may be, unless sufficient cause is shown and the reasons for grant of adjournment have been recorded in writing by such Commission:

It is provided further that the State Commission or the National Commission as the case may be shall make such orders as to the costs occasioned by the adjournment as may be provided in the regulations made under this Act.

It is provided also that in the event of an appeal being disposed of after the period so specified, the State Commission or, the National Commission, as the case may be, shall record in writing the reasons for the same at the time of disposing of the said appeal.

## Unfair Trade Practices

Unfair trade practice means a trade practice, which, for the purpose of promoting any sale, use or supply of any goods or services, adopts unfair method, or unfair or deceptive practice.

Unfair practices may be categorized as under:

**1. False Representation**

The practice of making any oral or written statement or representation which:

- Falsely suggests that the goods are of a particular **standard quality**, quantity, grade, composition, style or model;
- Falsely suggests that the services are of a particular **standard, quantity** or **grade**;
  - Falsely suggests any re-built, second-hand renovated, reconditioned or **old goods as new goods**;
  - Represents that the goods or services have sponsorship, approval, performance, characteristics, accessories, uses or benefits which they do not have;
  - Represents that the seller or the supplier has a sponsorship or approval or affiliation which he does not have;
  - Makes a false or misleading representation concerning the need for, or the usefulness of, any goods or services;
  - Gives any warranty or **guarantee** of the performance, efficacy or length of life of the goods, that is **not based on an adequate or proper test**;
  - Makes to the public **a representation** in the form that purports to be-
  - A warranty or guarantee of the goods or services,
    1. a promise to replace, maintain or repair the goods until it has achieved a specified result, if such representation is **materially misleading** or there is no reasonable prospect that such warranty, guarantee or promise will be fulfilled

- Materially **misleads about the prices** at which such goods or services are available in the market; or
- Gives false or misleading facts disparaging the goods, services or trade of another person.

**2. False Offer of Bargain Price**

Where an advertisement is published in a newspaper or otherwise, whereby goods or services are offered at a bargain price when in fact there is no intention that the same may be offered at that price, for a reasonable period or reasonable quantity, it shall amount to an unfair trade practice.

The '**bargain price**', for this purpose means-

1. The price stated in the advertisement in such manner as suggests that it is lesser than the ordinary price, or
2. The price which any person coming across the advertisement would believe to be better than the price at which such goods are ordinarily sold.

**3. Free Gifts Offer and Prize Schemes**

The unfair trade practices under this category are:

- Offering any gifts, prizes or other items along with the goods when the real intention is different, or
    - Creating impression that something is being offered free along with the goods, when in fact the price is wholly or partly covered by the price of the article sold, or
    - Offering some prizes to the buyers by the conduct of any contest, lottery or game of chance or skill, with real intention to promote sales or business.

**4. Non-Compliance of Prescribed Standards**

Any sale or supply of goods, for use by consumers, knowing or having reason to believe that the goods do not comply with the standards prescribed by some competent authority, in relation to their performance, composition, contents, design, construction, finishing or packing, as are necessary to prevent or reduce the risk of injury to the person using such goods, shall amount to an unfair trade practice.

**5. Hoarding, Destruction, etc.**

Any practice that permits the hoarding or destruction of goods, or refusal to sell the goods or provide any services, with an intention to raise the cost of those or other similar goods or services, shall be an unfair trade practice.

### Inquiry into Unfair Trade Practices

The Commission may inquire into

Any unfair trade practice

- Upon receiving a complaint from any trade association, consumer or a registered consumer association, or
- Upon reference made to it by the Central Government or State Government
- Upon an application to it by the Director General or
- Upon its own knowledge or information.

**Relief Available**

After making an inquiry into the unfair trade practices if the Commission is of the opinion that the practice is prejudicial to the pubic interest, or to the interest of any consumer it may direct that -

- The practice shall be discontinued or shall not be repeated;
- The agreement relating thereto shall be void in respect of such unfair trade practice or shall stand modified.
- Any information, statement or advertisement relating to such unfair trade practice shall be disclosed, issued or published as may be specified

- The Commission may permit the party to carry on any trade practice to take steps to ensure that it is no longer prejudicial to the public interest or to the interest of the consumer.

However no order shall be made in respect a trade practice which is expressly authorised by any law in force.

The Commission is empowered to direct publication of corrective advertisement and disclosure of additional information while passing orders relating to unfair trade practices.

**Holding of Contests and Schemes**

There are hundreds of literary contests and awards, online and off. Most are real; some are even prestigious. But many are either fake or pointless. And few are important enough to provide a meaningful addition to your writing resume.

**Contest and Award Fakes**

Fake contests and awards come in many different guises, but they all have a common goal–to take your money.

**Some are outright scams**. A few examples, drawn from Writer Beware's files:

- A fee-charging literary agency advertises a contest where the prize is agency representation. Representation is indeed offered (to everyone who enters), but the catch is that it comes with a hefty editing fee attached.
- Another agency uses a false name to run its contest. Entrants are told that even though they didn't win, their work is "exceptional", and referred to the agency, which charges an up-front fee.
- An editing service uses a contest as a way to acquire pool of potential customers. The contest is genuine in that there are winners who get prizes, but everyone else is told that their work needs help, and offered the chance to buy editing at a "discount" from the service.

- A similar contest is run by a company that provides coverage for screenplay authors. In addition, guaranteed agency representation is promised for "exceptional" scripts. What's not revealed: the agency is run under a different name by the same people who run the coverage service, and its track record is slim to none.

- An awards program touts its vision and independent spirit, and makes much of the benefits that prestigious awards can bring to your career. There's even a handsome trophy. Just one catch: the trophy isn't free. Winners (who include just about everyone who enters) have to buy it.

**Other contests are run by questionable or fee-charging publishers**. Often the prize is a book contract, and winners don't find out until afterward that the contract terms are abusive, or that they must pay a fee for publication, or agree to pre-purchase large numbers of books, or pay the publisher for a publicity campaign (a good reason never to enter a contest that doesn't allow you to refuse a contract if it's offered). Or the publisher may provide the entrants' contact information to a vanity publishing service or a fee-charging literary agency, which then sends out solicitations and pays the first publisher a kickback if any of the entrants bite.

Some vanity publishers use contests to draw in paying customers. The contest prize is a fee-free publishing contract–but if you don't win, expects to be solicited to buy the publisher's services.

**Disparaging Product of Competitors**

Disputes over intellectual property that include allegations of anti-competitive conduct may raise a potential for insurance coverage. Common allegations in this context which can trigger a duty to defend under the "personal injury" or "advertising injury" coverage found in the standard CGL policy include disparagement of another's products. A recent decision by a Judge held that allegations of implicit disparagement of a competitor's products create a potential for coverage.

**Prove Materiality & Interstate Commerce**

- A plaintiff-business must then prove that the deception is material in that it is likely to influence the purchasing decision and that the defendant-competitor caused it's falsely advertised goods to enter interstate commerce.

***Proof of Injury***

- Finally, the plaintiff-business must prove that it has been or is likely to be injured as a result, either by direct diversion of sales or by a lessening of its good will.

***Litigation as a Business Tool***

- When your business is the victim of product disparagement by an unscrupulous competitor, the judicial process can serve as a "business tool" to at least halt such unfair competition as well as potentially recover the monetary damage suffered. Typically, no business or individual wants to engage in litigation. But, litigation should be viewed as a "business tool" to protect your enterprise investments when unavoidably necessary. Your attorney should handle the matter cost effectively as well as thoroughly and competently.

**Summary**

Consumer protection consists of laws and organizations designed to ensure the rights of consumers as well as fair trade competition and the free flow of truthful information in the marketplace. The laws are designed to prevent businesses that engage in fraud or specified unfair practices from gaining an advantage over competitors and may provide additional protection for the weak and those unable to take care of themselves. Consumer protection laws are a form of government regulation which aim to protect the rights of consumers. For example, a government may require businesses to disclose detailed information about products—particularly in areas where safety or public health is an issue, such as food. Consumer protection is linked to the idea of "consumer rights" (that consumers have various rights as consumers), and to the formation of consumer organizations, which help consumers make better choices in the marketplace and get help with consumer complaints. Unfair trade practice means a trade practice, which, for the purpose of promoting any sale, use or supply of any goods or services, adopts unfair method, or unfair or deceptive practice. Disputes over intellectual property that include allegations of anti-competitive conduct may raise a potential for insurance coverage. Common allegations in this context which can trigger a duty to defend under the "personal injury" or "advertising injury" coverages found in the standard CGL policy include disparagement of another's products. A recent decision by a Judge held that allegations of implicit disparagement of a competitor's products create a potential for coverage.

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## Lesson 4.4 - The Standards of Weights and Measures Act

### Learning Objectives

- Know about the weights and measures act
- Understand the procedures applicable for a retail store

### Introduction

An Act to establish standards of weights and measures, to regulate trade or commerce in weights, measures and other goods which are sold or distributed by weight, measure or number, to provide for matters connected therewith or incidental thereto.

This Act extends to the whole of India.

In this Act, unless the context otherwise requires,—

(a) 'calibration' means all the operations which are necessary for the purpose of determining the values of the errors of a weight or measure and, if necessary, to determine the other metrological properties of such weight or measure, and includes the actual fixing of the positions of the gauge marks or scale marks of a weight or measure, or in some cases, of certain principal marks only, in relation to the corresponding values of the quantity to be measured.

**Explanation**—Calibration may also be carried out with a view to permitting the use of a weight or measure.

(b) 'commodity in packaged form' means commodity packaged whether in any bottle, tin, wrapper or otherwise, in units suitable for sale, whether wholesale or retail;

(c) 'dealer', in relation to any weight or measure, means a persons who, or a firm or a Hindu undivided family which, carried on, directly or otherwise, the business of buying, selling, supplying or distributing any such weight or measure, whether for cash or for deferred payment or for commission, remuneration or other valuable consideration, and includes—

(i) A commission agent who carries on such business on behalf of any principal,

(ii) An importer who sells, supplies, distributes or otherwise delivers any weight or measure to any user, manufacturer, repairer, consumer or any other person, but does not include a manufacturer who sells, supplies, distributes or otherwise delivers any weight or measure to any person or category of persons referred to in this clause.

(d) 'Director' means the Director of Legal Metrology appointed under section......;

(e) 'export' with its grammatical variations and cognate expressions, means taking out of India to a place outside India;

(f) 'false package' means any package which does not conform to the provisions of this Act or any rule or order made there under in relation to such package;

(g) 'false weight or measure' means any weight or measure which does not conform to the standards established by or under this Act in relation to that weight or measure;

## Establishment of Standards of Weights and Measures

### Standard Units

Every unit of weight or measures shall be based on the units of the metric system.

(a) The international system of units as recommended by the General Conference on Weights and Measures, and such additional units as may be recommended by the International Organization of Legal Metrology, shall be the units of the metric system.

- The base unit of length shall be the metre.
- The base unit of mass shall be the kilogram.

- The base unit of time shall be the second.
- The base unit of electric current shall be the ampere.
- The base unit of thermodynamic temperature shall be the kelvin.
- The base unit of luminous intensity shall be the candela.
- The base unit of amount of substance shall be the mole.

**Appointment and Powers of Director and Other Staff**

The Central Government may, by notification, appoint a Director of Legal Metrology and as many Additional, Joint, Deputy or Assistant Directors and other officers and staff as may be necessary for exercising the powers and efficiently discharging the duties conferred or imposed on them by or under this Act.

Commodities in packaged form intended to be sold or distributed in the course of Inter-State trade or commerce

No person shall—

(a) Make, manufacture, pack, sell, or cause to be packed or sold; or

(b) Distribute, deliver, or cause to be distributed or delivered; or

(c) Offer, expose or possess for sale, any commodity in packaged form to which this Part applies unless such package bears thereon or a label securely attached thereto a definite, plain and conspicuous declaration, as prescribed, of —

(i) The identity of the commodity in the package;

(ii) The net quantity, in terms of the standard unit of weight or measure, or the commodity in the package;

(iii) Where the commodity is packaged or sold by number, the accurate number of the commodity contained in the package;

(iv) The Unit sale price of the package.

(v) The sale price of the package.

### Offences and their Trial

Whoever uses any weight or measure or makes any numeration otherwise than in accordance with the standards of weight or measure or the standards of numeration, as the case may be, established by or under this Act, shall be punished with imprisonment for a term which may extend to six months, or with fine which may extend to one thousand rupees, or with both, and, for the second or subsequent offence, with imprisonment for a term which may extend to two years and also with fine.

Whoever tampers with, or alters, in any way, any reference standard, secondary standard, or working standard except where such alteration is made for the correction of any error noticed therein on verification, shall be punished with imprisonment for a term which may extend to two years, or with fine which may extend to five thousand rupees, or with both.

Except where any weight or measure is made or manufactured, with the permission of the Central Government, exclusively for export, every person who makes or manufactures any weight or measure which does not conform to the standards of weight or measure established by or under this Act, shall, where such offence is not punishable under any other law relating to weights and measures for the time being in force, be punished with imprisonment for a term which may extend to one year or with fine which may extend to two thousand rupees, or with both, and, for the second or subsequent offence with imprisonment for a term which may extend to three years and also with fine.

## Procedures Applicable for a Retail Store

### Retail Policies and Procedures

Setting retail policies and procedures identifies the way a retail establishment operates on a daily basis. Establishing retail policies and procedures should provide employees and customers with definitive solutions to problems.

Every retail establishment must have policies and procedures that are well-documented for employees and customers. Policies and procedures that pertain to refunds, returns and exchanges should be posted at all point-of-sale terminals.

Retail establishments must also have policies and procedures specifically for vendors.

### 1. *Hiring & Firing Retail Employees*

- Document exactly a job description for each available position. Include full-time and part-time retail sales positions, management, accounting, dock workers and security.

Identify the salary range for each position as well as the qualifications required of each candidate. Determine exactly under what circumstances an employee will be terminated and what the termination steps will be. An example would be employees who report to work late more than four times per month will be terminated after one verbal warning and one written warning.

### 2. *Employment Manuals*

- Write and distribute employment manuals for all retail employees that identify exactly what is expected from each employee. Require each employ to sign a document that verifies that the employee has read and understands all of the policies and procedures in the employment manual.

### 3. *Inventory*

- Counting inventory is an important part of any retail operation. The policies and procedures that determine how inventory is counted and reported are essential. Identifying inventory dates, times of day and what equipment will be used must be included in the policy and procedure of the retail establishment.

Conducting an annual inventory, generally at the end of each calendar year, is a procedure followed by many large retail organizations such as department-store chains.

### 4. *Loss Prevention*

- Preventing loss due to theft is a major concern for most retail establishments. Policies and procedures that determine how employees and customers are monitored must be well-documented.

Searching and monitoring employee packages must be part of the conditions of employment policy. Documented policies and procedures that involve alleged shoplifting by a customer must be in place to protect the rights of the customer and limit the liability of the retail establishment.

### 5. *Policies Involving Customer Service*

- Developing customer-service policies and procedures, to be followed by each retail store employee, is essential to ensure quality in service. Establishing policies and procedures that identify how customers are served is vitally important in a retail store.

Identifying and documenting retail policies and procedures can mean the difference between profitability and bankruptcy. Retail stores are extremely vulnerable to lawsuits with significant financial consequences.

## Summary

An Act to establish standards of weights and measures, to regulate trade or commerce in weights, measures and other goods which are sold or distributed by weight, measure or number, to provide for matters connected therewith or incidental thereto. Establishment of standards of weights and measures Standard units - Every unit of weight or measures shall be based on the units of the metric system. The international system of units as recommended by the General Conference on Weights and Measures, and such additional units as may be recommended by the International Organization of Legal Metrology, shall be the units of the metric system.

Setting retail policies and procedures identifies the way a retail establishment operates on a daily basis. Establishing retail policies and procedures should provide employees and customers with definitive solutions to problems. Every retail establishment must have policies and procedures that are well-documented for employees and customers. Policies and procedures that pertain to refunds, returns and exchanges should be posted at all point-of-sale terminals

**Self Assessment Questions**

1. Indicate the various legal compliances required for a retail business.
2. Write a note on License-contracts and recovery.
3. Explain legal process in retailing business.
4. Explain PPF and IR law with reference to shops and establishments.
5. Write a brief note on IPR, patents, copy rights and trademarks.
6. Discuss on the procedure and duration of registration.
7. What are service marks, collective marks and certification marks?
8. What are unfair trade practices?
9. What techniques do the companies adopt to disparage the products of competitors?
10. What are the procedures related to the standards of weights and measures act applicable to a retail store?
11. Examine the procedures applicable for a retail store.

## CASE STUDY

### Titan Industries Ltd. (TIL)

Titan Eye Plus, third major line of business of Titan Industries Ltd. (TIL) after watches and jewelry, announced its foray into the eye wear segment in India. TIL plans to expand and capture a 25% share of the organized eye wear market in the next two-three years. Right now the organized sector accounts for just about 15-20% of the total eye care market in India and is pegged at around ₹ 1,000 - 1200 crore. The opportunity is much bigger and TIL wishes to concentrate in India and change the market.

With the proposed launch of the company's latest chain "TITAN EYE PLUS". TIL plans to set up over 200 Titan Eye Plus stores in the next 3 years across India

**Questions**

a) Elaborate on the significance of location decisions and explain the criteria for the selection of a particular site location for the proposed chain of Titan Eye Plus stores both in Urban and Semi Urban cities in India.

b) Develop an Integrated Marketing Communication Plan for TIL.

c) How can TIL communicate the positioning of its new chain of stores to the target market.

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## UNIT - V

### Unit Structure



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## Lesson 5.1 - Mall Management

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### Learning Objectives

- Know the methods used in mall management
- Learn about various retail formats
- Discuss the concept of mall design

### Introduction

Retailing involves a direct interface with the customer and the coordination of business activities from end to end- right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

A shopping mall, shopping centre, shopping arcade, shopping precinct or simply mall is one or more buildings forming a complex of shops representing merchandisers, with interconnecting walkways enabling visitors to easily walk from unit to unit, along with a parking area — a modern, indoor version of the traditional marketplace.

Modern "car-friendly" strip malls developed from the 1920s, and shopping malls corresponded with the rise of suburban living in many parts of the Western World, especially the United States, after World War II. From early on, the design tended to be inward-facing, with malls following theories of how customers could best be enticed in a controlled environment. Similar, the concept of a mall having one or more "anchor" or "big box" stores was pioneered early, with individual stores or smaller-scale chain stores intended to benefit from the shoppers attracted by the big stores.

**Aspects of Mall Management**

- Aspects of Mall Management to be covered by a Company
- A Comprehensive solution for reducing costs and identifying new revenue opportunities.
- Reliable & Robust Businesses processes & best practices.
- An Integrated and Centralized Administration.
- Total Control on Tenant & Lease Management.
- Real Time Interaction of tenants with Management.
- Systematic approach to Event Management.
- Periodical Notifications for Users, Tenants, Holdover Tenants, Expired Options and Upcoming Critical Dates.
- Energy Conservation.
- Parking Arrangements to include ideal flow of traffic.
- Management quality elements such as engineering practices and processes.
- Security Threat Analysis & Security Solutions.
- Mechanical Cleaning of Premises.
- Horticulture, Landscaping & Pest Control.
- Interior Decoration & Flower Arrangements.
- Knowledge and data availability.
- Information on system trends.
- Organization and people issues.
- Performance audit
- Risk Assessment & Management.
- Optimized life cycle analysis of equipment.
- Planning for improvement and replacement.

**Types of Various Retail Formats**

A marketplace is a location where goods and services are exchanged. The traditional market square is a city square where traders set up stalls and buyers browse the merchandise. This kind of market is very old, and countless such markets are still in operation around the whole world.

In some parts of the world, the retail business is still dominated by small family-run stores, but this market is increasingly being taken over by large retail chains.

Retail is usually classified by type of products as follows:

- Food products
- Hard goods or durable goods ("hard-line retailers") - appliances, electronics, furniture, sporting goods, etc. Goods that do not quickly wear out and provide utility over time.
- Soft goods or consumables - clothing, apparel, and other fabrics. Goods that are consumed after one use or have a limited period (typically under three years) in which you may use them.

There are the following types of retailers by marketing strategy:

- **Department stores** - very large stores offering a huge assortment of "soft" and "hard goods; often bear a resemblance to a collection of specialty stores. A retailer of such store carries variety of categories and has broad assortment at average price. They offer considerable customer service.
- **Discount stores** - tend to offer a wide array of products and services, but they compete mainly on price offers extensive assortment of merchandise at affordable and cut-rate prices. Normally retailers sell less fashion-oriented brands.
- **Warehouse stores** - warehouses that offer low-cost, often high-quantity goods piled on pallets or steel shelves; warehouse clubs charge a membership fee;
- **Variety stores** - these offer extremely low-cost goods, with limited selection;

- **Demographic** - retailers that aim at one particular segment (e.g., high-end retailers focusing on wealthy individuals).
- **Mom-And-Pop**: is a retail outlet that is owned and operated by individuals. The range of products are very selective and few in numbers. These stores are seen in local community often are family-run businesses. The square feet area of the store depends on the store holder.
- **Specialty stores**: A typical specialty store gives attention to a particular category and provides high level of service to the customers. A pet store that specializes in selling dog food would be regarded as a specialty store. However, branded stores also come under this format. For example if a customer visits a Reebok or Gap store then they find just Reebok and Gap products in the respective stores.
- **General store** - a rural store that supplies the main needs for the local community;
- **Convenience stores**: is essentially found in residential areas. They provide limited amount of merchandise at more than average prices with a speedy checkout. This store is ideal for emergency and immediate purchases.
- **Hypermarkets**: provides variety and huge volumes of exclusive merchandise at low margins. The operating cost is comparatively less than other retail formats.
- **Supermarkets**: is a self service store consisting mainly of grocery and limited products on non -food items. They may adopt a Hi-Lo or an EDLP strategy for pricing. The supermarkets can be anywhere between 20,000 and 40,000 square feet (3,700 $m^2$). Example: SPAR supermarket.
- **Malls**: has a range of retail shops at a single outlet. They endow with products, food and entertainment under a roof.
- **Category killers or Category Specialist**: By supplying wide assortment in a single category for lower prices a retailer can "kill" that category for other retailers. For few categories, such as electronics, the products are displayed at the centre of the store and sales person will be available to address customer queries and give

suggestions when required. Other retail format stores are forced to reduce the prices if a category specialist retail store is present in the vicinity.

- **E-tailors**: The customer can shop and order through internet and the merchandise are dropped at the customer's doorstep. Here the retailers use drop shipping technique. They accept the payment for the product but the customer receives the product directly from the manufacturer or a wholesaler. This format is ideal for customers who do not want to travel to retail stores and are interested in home shopping. However it is important for the customer to be wary about defective products and non secure credit card transaction. Example: Amazon, Pennyful and eBay.
- **Vending Machines**: This is an automated piece of equipment wherein customers can drop in the money in machine and acquire the products.

Some stores take a no frills approach, while others are "mid-range" or "high end", depending on what income level they target.

**Other types of retail store include:**

- Automated Retail stores are self service, robotic kiosks located in airports, malls and grocery stores. The stores accept credit cards and are usually open 24/7. Examples include Zoom Shops and Red box.
- Big-box stores encompass larger department, discount, general merchandise, and warehouse stores.
- Convenience store - a small store often with extended hours, stocking everyday or roadside items;
- General store - a store which sells most goods needed, typically in a rural area;

Retailers can opt for a format as each provides different retail mix to its customers based on their customer demographics, lifestyle and purchase behavior. A good format will lend a hand to display products well and entice the target customers to spawn sales

Retail operations enable a store to function smoothly without any hindrances. The significant types of retail operations consist of Department store Specialty store Discount/ Mass Merchandisers Warehouse/Wholesale clubs Factory outlet Retail Management System targets small and midsize retailers seeking to automate their stores. The package runs on personal computers to manage a range of store operations and customer marketing tasks, including point of sale; operations; inventory control and tracking; pricing; sales and promotions; customer management and marketing; employee management; customized reports; and information security.

**The Emerging Sectors Retailing**

Retailing, one of the largest sectors in the global economy, is going through a transition phase not only in India but the world over. For a long time, the corner grocery store was the only choice available to the consumer, especially in the urban areas. This is slowly giving way to international formats of retailing. The traditional food and grocery segment has seen the emergence of supermarkets/grocery chains (Food World, Nilgiris, Apna Bazaar), convenience stores (Convenio, HP Speed mart) and

**What are the different types of franchises**

The franchise type identifies the type of work involved in running the franchise business. There are five different categories of franchise types - retail, management, single operator manual, single operator executive & investment

**Retail Franchise**

The retail franchise owner will occupy retail premises, selling products or services during retail hours for 'walk-in' retail. The business is totally dependent on the premises and turnover is achieved from walk-in consumers. The franchisee in general will:

- Need High Street premises in Australia
- Generate the majority of their turnover from walk-in customers
- Be selling a product or a service to an end-user

- Work and manage the franchise business during retail hours which may include weekends and long days
- Need to employ and manage staff (experience in some cases is essential)
- Be dealing with the general public

**Management Franchise**

The management franchise owner will be using their experience to grow the franchise business and control staff that carry out the tasks of the job. It will require premises, which are more likely to be an office than an Australian High Street outlet.

The majority of the turnover here is generated from business-to-business activities rather than from retail. The franchisee in general will:

**Need premises which may not necessarily be on the High Street**

- Be selling a product or a service
- Work and manage the business during office hours
- Need to employ and manage skilled staff (experience in some cases is essential
- Need to do a fair amount of administration in providing the product or service
- Deal mainly with businesses and a small percentage of the time with the general public
- Need to market the business personally

**Single Operator Franchise / Manual**

The franchise owner will be working at the franchise which usually takes the form of a trade supplying, selling and delivering products or service. It may be mobile, home-based or requiring small office premises. The franchisee in general will:

- Need to learn the trade which may be selling a product or a service
- Will work on their own initially, but may employ staff as the business grows

- Market the franchise locally to generate business
- Deal with the general public as well as businesses
- Have plenty of telephone dealings in the day to day running of the business
- In most cases be mobile, often van-based
- Do paperwork from home or have small industrial premise

**Top 5 Types of Retail Ownership**

- Retail business models
- Franchises
- Network marketing
- Starting a retail business

Entrepreneurs have many forms of retail business ownership available to them. Each business model has its own list of pros and cons. Choosing a type of retail business to start will depend on why you want to own a business, as well as your lifestyle, family, personality, basic skills and much more. Here are a few of the main types of retail ownership and the advantages, disadvantages, and support system of each.

***1. Independent Retailer***

In independent retailer is one who builds his/her business from the ground up. From the business planning stage to opening day, the independent retail owner does it all. He/she may hire consultants, staff and others to assist in the business endeavor. The opportunities are endless.

***2. Existing Retail Business***

Someone who inherits or buys an existing business is taking ownership and responsibility of someone else's hard work. The foundation has already been laid.

***3. Franchise***

Purchasing a franchise is buying the right to use a name, product, concept and business plan. The franchisee will receive a proven business model from an established business.

***4. Dealership***

Retailers may find the business model of a licensed dealership as a mix of franchise and independent retailer. The licensee has the right (sometimes this is exclusive) to sell a brand of products. Unlike a franchise, the dealer can sell a variety of brands and there generally no fees to the licensor. Dealerships may or may not be identified as an authorized seller or by the company's trademark.

***5. Network Marketing***

Multi-level marketing (MLM) or network marketing is a business model where the selling of products depends on the people in the network. Not only is a product being sold, but other salespeople are being recruited to sell that same product or product line. It's probably not a type of business one would initially consider when discussing retail businesses, but Amway used this model quite successfully for many years.

## Point of Sale (POS) Software

Retail industry is growing at fastest rate with increased number of challenges faced by retail. It has become increasingly difficult to adapt to changing business scenarios for retailers who are always looking for new ways to increase profitability. Frauds, including vendor frauds, thefts, shoplifting and inaccuracy in supervision and administration are the challenges that are difficult to handle. Although the challenges of retail are unique, they can be addressed with the right technology that identifies the problems and offers a holistic solution.

### Supported Point of Sales Business

Departmental stores, Grocery Shops, Supermarkets, Hypermart, Textile, Readymade Garments, Footwear's, White Goods, Household appliances and consumer electronics, Gift shop, Glass and crockery, Hardware- Electrical / Electronics / Auto parts / Building materials, Stationary, Liquor Shops, Music Shops, Boutiques, Software For F&B Industry, Fine Dining Restaurant, Food Court, Fast Food, Quick Service & Home Delivery outlets, Auto Spare Parts, Luggage and bags, Mobile Showrooms, Optical Showrooms, etc.

**Key Business Benefits of Point of Sale Software (POS)**

POS software is used by more than 10,000 Customers across India in 45 different retail segments. POS software is the best product to grow your retail business - Irrespective of service, quality or price that differentiates your business.

- Improved Customer Service and Satisfaction. POS software manages loyalty correctly, Customer purchase history is available at a click of button, various promotions and offers can be managed, SMS can be sent to Customers for various happenings in retail store, etc. Ray Medi Retail POS software has many features that lead to effective and better Customer management to drive repeat business from them.
- Higher Operational Efficiency.. POS business automation software solution can help in establishing and enforcing operational processes, monitoring and measuring the adherence to processes, analyzing and continuously improving the process and practices for better results. Also help establishing the right controls for effective enforcement.
- Efficient Return Management Reduction in fraudulent returns. It is estimated that retail stores lose about 0.5% of sales due to fraudulent returns. Managing returns in a systematic and authorized manner efficiently eliminates loss due to returns.
- Analyze your competition and strategies to win against them.
- Increase your revenue per square feet.
- Lower operating cost
- Profile your Customers, build Customer loyalty and drive repeat purchases.
- Get accurate information to take critical business decisions.
- Configure to suit your business process, policies and operating procedures.

**Key Functional Benefits of Point Of Sale Software (POS )**

- Easy and flexible to operate
- Delivery Tracking and Wastage Management

- Flexible and comprehensive inventory classification to suit POS business needs. Such inventory classification can be specific to each department.
- Optimize your inventory management- Match supply and demand with the most cost effective way.
- Accurate business closing with very little manual work help you minimize the time it takes after the last sale to close business for the day. Gives peace of mind and reduced hassles in retail store operations.

## Concepts in Mall design

In most of the places the term *shopping Centre* is used, especially in Europe, Australia and South America; however shopping mall is also used, predominantly in North America and the Philippines. Outside of North America, *shopping precinct* and *shopping arcade* are also used. In North America, the term shopping mall is usually applied to enclosed retail structures (and is generally abbreviated to simply *mall*), while *shopping center* usually refers to open-air retail complexes; both types of facilities usually have large parking lots, face major traffic arterials and have few pedestrian connections to surrounding neighborhoods.

Shopping centers in the United Kingdom can be referred to as "shopping centers" or "shopping precincts". The standard British pronunciation of the word is "mall" rhymes with "pal. *Mall* can refer to either a shopping mall – a place where a collection of shops all adjoin a pedestrian area – or an exclusively pedestrianized street that allows shoppers to walk without interference from vehicle traffic. *Mall* is generally used in North America to refer to a large shopping area usually composed of a single building which contains multiple shops, usually "anchored" by one or more department stores surrounded by a parking lot, while the term *arcade* is more often used, especially in Britain, to refer to a narrow pedestrian-only street, often covered or between closely spaced buildings (see town centre). In Britain, a larger, often partly covered and exclusively pedestrian shopping area is also termed a *shopping centre, shopping precinct, or pedestrian precinct*.

The majority of British shopping centers are located in city centers, usually found in old and historic shopping districts and surrounded by subsidiary open air shopping streets. In addition to the inner city shopping centers, large UK conurbations will also have large out-of-town "regional malls" such as Meadow hall, Sheffield serving South Yorkshire, the Trafford Centre in Greater Manchester and Blue water in Kent. These centers were built in the 1980s and 1990s, but planning regulations prohibit the construe action of any more. Out-of-town shopping developments in the UK are now focused on retail parks, which consist of groups of warehouse style shops with individual entrances from outdoors. Planning policy prioritizes the development of existing town centers, although with patchy success. The Metro Centre, in Gates head (near Newcastle upon Tyne), is the largest shopping centre in Europe with over 330 shops, 50 restaurants and an 11 screen cinema and Westfield London is the largest inner-city shopping centre in Europe. Bullring, Birmingham is the busiest shopping centre in the UK welcoming over 36.5 million shoppers in its opening year.

In Hong Kong, the term "shopping centre" is the most frequently used, and the name of a shopping centre in Hong Kong usually contains the word "centre" or "plaza". In Brazil, the most frequently used term is just "shopping" (*pl.* shopping's), sometimes added with "center", "plaza" or "mall".

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## Lesson 5.2 - Factors Influencing Malls Establishments

### Learning Objectives

- Examine various factors influencing mall establishment
- Learn about Design of Shopping Mall Management System

### Introduction

*Factors may be placed into three basic categories:*

1. Natural Advantages
2. Acquired Advantages
3. Government Advantages

The factors can be listed as follows:

a) Cost-[Acquired]
b) Closeness to a source of raw materials- [Natural]
c) Closeness to a source of power-[Acquired and/or Natural]
d) Closeness to a market-[Acquired]
e) Closeness to an educated working force-[Acquired]
f) Closeness to a method of transport-[Acquired]
g) Government Intervention-[Government]
h) In a suitable climate-[Natural]
i) In a stable political atmosphere-[Government]
j) Health facilities-[Acquired]

### Principles and Guidelines

There are many reasons, both practical and economic, for creating a world we can all use. Here are a few points which highlight key reasons:

**Understanding the Population**

People who could benefit from more universal designs include many both with and without disabilities. In some cases, people may experience difficulty in using products purely as a result of the environment or an unusual circumstance. Beneficiaries of universal design include:

- People in a noisy shopping mall who cannot hear a kiosk
- People who are driving their car who must operate their radio or phone without looking at it
- People who left their glasses in their room
- People who are getting older
- People with disabilities
- Almost anyone

In order to design for the general population, it is important to understand the diversity, problems, tools, and abilities of its members. To explore these for people with disabilities, we provide a section

**Design of Shopping Mall Management System**

In this project, we will be designing a simple shopping mall using object oriented technology. The mall will provide a soothing shopping experience for customers, while at the same time allowing us to explore design patterns and other features object oriented technology.

***The Requirements***

The system will allow more than one shop owner to set up different shops, to sell various products under one roof i.e. mall. The concept, at its very basic, provides for an environment that allows the following:

- **Shop Owner**

Any person wishing to setup shop in the mall can send a proposal to the mall owner.

The mall owner approves the proposal and confirms the deal.

Shop owners can then setup and maintain their own shop(s) in the Mall.

**Customers**

Customers when enter the mall have to authenticate themselves on a central server.

After authentication, the customer is allocated a shopping cart and can enter a particular shop of his/her choice for shopping.

After entering a shop, customer can browse through the products available in the shop, can select some of them and put into the shopping cart.

Customer can anytime change the items in the cart either by adding new items or by removing existing items. Customer proceeds towards the payment counter. Finalize product list of items he finally wish to buy and make the final payment.

He/ She then leave the shop and can either enter another shop or leave the mall.

The prototype presented allows customers to purchase products from all the shops in the Mall.

**Report Organization**

*We organize our report in the following order*

- Use Case diagram for capturing all the possible scenarios
- Mall will provide a single roof for various shops.
- The mall performs the creation of a set of different shops, such as a book store, a shoe store, etc.
- The mall greets an arriving customer, performs authentication for him/her and allocates him/her the shopping cart.
- Mall presents the customer with a list of different stores available and allows the customer to shop at any of stores in the mall.

**Security Aspects in Mall Management**

The Mall Sentry is ideal for malls that must employ 24 hour security staff. All security desk functions can be mobilized by hand held two way radio and hand held video monitor eliminating the need to staff a security desk at every moment. A security officer is free to patrol or respond to events and emergencies.

*At all times he or she will be able to:*

- Hear a voice announcement over hand held two way radios of all alarms from security devices, fire alarm panels, and other monitoring applications.
- Acknowledge alarms by hand held two way radio.
- Control equipment such as pumps, lights, or elevators.
- Receive all incoming telephone calls or elevator emergency calls.
- Make an outgoing telephone call with all activity logged at the computer.
- Respond to intercom stations and have a two way conversation with the person accessing the intercom station all via hand held two way radios.
- See the output of the closed circuit television system and control any cameras equipped with pan/tilt/zoom/focus functions.

**Hand held Two Way Radio Monitoring**

Alarms or events will be broadcast as a user defined computer voice message over existing facility hand held two way radios. A message such as “Wireless pendant alarm south parking section 2” or “Door alarm at north entrance” will continue to broadcast every fifteen seconds until acknowledged either at the computer or by entering a unique personal ID number with a hand held two way radio. Alarms and events may be routed to any of 6 radio channels so that staff persons hear only alarms assigned to their area.

**Security Monitoring**

Monitor security points such as doors, motion detectors, and glass break detectors, all of which announce over hand held two way radios. A software scheduler will ignore alarms during user specified time windows. Use the scheduler to turn relays on and off in order to control lights, equipment, intercoms, or other applications. Integrate other facility security systems such as fire alarm panels to provide instant notification and description of location over hand held two way radios.

**Wireless Duress Pendants**

Wireless pendants may be issued to employees and tenants for security in the parking lots. Locators will indicate the location of persons who have activated their pendants.

**Real Time Security Guard Tour System**

The system will provide immediate notification if a guard tour station has not been posted (visited) within a user defined time period. All guard tour events are posted in real time as they happen. All events are posted with date and time and touring guards may report and log circumstances such as finding an unlocked door, broken window, or hazardous material.

**View CCTV Cameras From Portable Monitors**

Closed circuit television cameras that are positioned throughout the mall may be displayed in the roving staff person's vehicle in the parking lot or on a hand carried video receiver. Any camera may be called up for view automatically as the result of an alarm event or manually at the discretion of the roving staff person. Cameras equipped with pan/tilt/zoom/focus may be manipulated via the hand held two way radios.

**Public Safety**

Public safety is one of the primary mall security issues. It begins as soon as the customer enters the parking lot. Security directors must ensure that parking lots have high visibility. This often means installing large lights and reducing shrubbery and other potential hiding places. Accordingly, it may require a security tower that allows officers a higher vantage point from which they can monitor lot activity. The amount of security depends on the types of criminal activity afoot and how often it occurs.

Once customers reach the mall itself, public safety remains an issue. Security directors must place enough personnel inside the mall to handle a variety of incidents, including fights and other disruptive behavior. Employees must keep walkways clear and free from safety hazards. Standing water, for example, needs to be mopped up to avoid a trip and fall.

**Children**

Malls are hot spots for children and teenagers to hang out. This creates special security concerns. The chance of an abduction or injury is greater in a mall than in other public places. Security must have procedures in place to look for missing children and to safeguard them from hazards, such as escalators. Some malls address these issues by requiring children under 18 to be accompanied by an adult at certain times of the day.

Teenagers present their own particular challenges. For example, they can be violent. These types of incidents may be more common in areas with gang activity or higher crime rates.

**Loss Prevention**

Mall security directors must balance public safety concerns with their duty to reduce loss from theft or property damage. This often involves collaborating with the managers and owners of the shops inside the mall. Store employees must be trained to alert mall security if suspicious activity is present. Additional steps, including adding undercover security personnel to walk the floor, may be necessary depending on the crime rate in the area.

**Employment Concerns**

Mall security employees must be screened and trained to accomplish their tasks. If not, the employees become security liabilities themselves. Poorly trained security agents could, for instance, mishandle a customer and use too much force. This opens up the potential for lawsuits and other legal liabilities. Employees who are underpaid and treated with indifference are more likely to engage in merchandise theft. These types of employees are also less likely to do their jobs with concern for public safety or loss prevention.

**Limitations**

Mall security guards are private forces and do not have the same power or authority as police officers. For instance, mall security guards cannot arrest people. They may, however, detain a customer if reasonable grounds exist to believe that the person is a security risk. The detainment can be long enough to resolve the matter or for police to arrive on scene. Security guards do not carry weapons. Their primary duties are to observe and report problems to the proper authorities.

**Other Security Services**

Shopping malls present a wide range of safety and security concerns. Mall security officers are required to respond to a variety of situations, from lost children to criminal activity. They must effectively interact with the public, with mall tenants and management, and with local law enforcement. We ensure that our officers are equipped and qualified to handle any safety and security situation that may arise in a shopping mall. Our mall security services are designed with the needs of your facility and location in mind; everything from uniform to daily duties can be fully customized.

Our mission in mall security is to represent mall management in a positive manner, protect from losses, and serve the public.

**Loss Prevention**

One main security concern in shopping malls is that of loss prevention; theft, vandalism, and trespassing all pose a risk or property damage or loss to mall management and tenants. Our mall security services are designed to prevent loss or damage due to:

- Theft and pick pocketing
- Vandalism and graffiti
- Trespassing and vagrants
- Safety hazards (spilled liquids, unsafe promotional displays)
- Relationship with Mall Tenants

Mall security officers provide ancillary services to mall tenants as Good Will Ambassadors. Mall security services are designed to support this objective by using:

- Courtesy
- Common sense
- Tact
- Diplomacy
- Extensive knowledge of site
- Public Relations

Security officers' partner with mall management, projecting a positive overall image and providing a safe and helpful environment customers will want to return to. A staple part of mall security services is in rendering assistance wherever and however it is needed, such as:

- Giving directions
- Enforcing all rules and regulations
- Assisting in special circumstances (lost children, vehicle lock-outs)
- Politely correcting discrepancies
- Being pro-active
- Directing media to appropriate person(s)
- Law Enforcement Relations

**Special Issues**

Shopping malls have special circumstances to consider, and each location will have unique issues to address. Security Officers consider and offer fully customized mall security services to meet those needs. They handle a variety of special issues including:

- Juvenile gangs, graffiti
- Senior citizens and disabled or physically challenged persons
- Vagrants and homeless
- Inoperable elevators, escalators, stairways
- Catastrophic situations
- Parking lots/garages
- Crime
- Vandalism
- Speeding
- Potholes
- Lighting and visibility
- Access control
- Valet parking
- Money collection, transport, storage
- Monitoring
- CCTV and Alarms
- Components
- PTZ lens
- Manual controls
- Mounting equipment
- Camera Operation
- Control Room
- Access
- Staffing

## Summary

People who could benefit from more universal designs include many both with and without disabilities. In some cases, people may experience difficulty in using products purely as a result of the environment or an unusual circumstance. Beneficiaries of universal design include: People in a noisy shopping mall who cannot hear a kiosk, People who are driving their car who must operate their radio or phone without looking at it, People who left their glasses in their room, People who are getting older, People with disabilities, Almost anyone. Malls are hot spots for children and teenagers to hang out. This creates special security concerns. The chance of an abduction or injury is greater in a mall than in other public places. Security must have procedures in place to look for missing children and to safeguard them from hazards, such as escalators. Some malls address these issues by requiring children under 18 to be accompanied by an adult at certain times of the day. Mall security guards are private forces and do not have the same power or authority as police officers. For instance, mall security guards cannot arrest people. They may, however, detain a customer if reasonable grounds exist to believe that the person is a security risk. The detainment can be long enough to resolve the matter or for police to arrive on scene. Security guards do not carry weapons. Their primary duties are to observe and report problems to the proper authorities.

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## Lesson 5.3 - Human Resource Aspects in Mall Management

### Learning Objectives

- Understand HR aspects in mall management
- Examine common Interview Problems

### Introduction

Discipline in the workplace is the means by which supervisory personnel correct behavioural deficiencies and ensure adherence to established company rules. The purpose of discipline is correct behaviour. It is not designed to punish or embarrass an employee.

Often, a positive approach may solve the problem without having to discipline. However, if unacceptable behaviour is a persistent problem or if the employee is involved in a misconduct that cannot be tolerated, management may use discipline to correct the behaviour.

In general, discipline should be restricted to the issuing of letters of warning, letters of suspensions, or actual termination. Employers should refrain from "disciplining" employees by such methods as altering work schedules, assigning an employee to do unpleasant work, or denying vacation requests.

- Examples of misconduct
- Just cause and its effect on discipline
- The discipline process at a glance
- Conducting an investigation
- Investigative interviews
- Common interview problems
- Discipline stage
- Sequence of events

**Examples of Misconduct**

Examples of misconduct which could result in discipline:

1. Excessive tardiness
2. Failure to notify of an absence
3. Insubordination
4. Rude or abusive language in the workplace
5. Failure to follow "Departmental Rules or Policies ", i.e., not wearing safety equipment, not following correct cash handling procedures
6. Dishonesty
7. Theft

Of course, discipline may be required for a number of other misconducts. The question that needs to be asked is if the Employer has "just cause" to impose a form of discipline.

**Just Cause and its Affect on Discipline**

In reviewing whether or not management was correct in its choice to discipline, arbitrators have to look at a number of factors. These factors must be taken into account by management when deciding to use discipline:

***1. Did the employee clearly understand the rule or policy that was violated?***

For example, were the work rules or policy provided to the employee prior to the violation. It is management responsibility to prove that the employee knew the rule or policy.

***2. Was the rule or policy consistently and fairly enforced by management?***

For example, did management have a history of ignoring the departmental policy on wearing safety equipment, but singled out an employee for discipline anyway.

***3. Did the employee know that violating the rule or policy could lead to***

***discipline?***

***4. The seriousness of the offense in terms of violating company rules of conduct or company obligations.***

For example, being a few minutes late for a shift would not be viewed as being as serious an offense as striking another employee or stealing University property.

***5. The long service of the employee.***

***6. The previous good (or bad) work record of the employee.***

***7. Provocation.***

Was the employee pushed into acting rudely or violently as a result of management or a customer's actions. This is a very common defense for employees involved in insubordination.

***8. Did the employee admit to the misconduct and apologize for their behavior?***

Arbitrators will often rule harshly against employees who are deceptive during an investigation and who show no remorse for their actions.

This list is not exhaustive, but it does include some of the more important factors that should be reviewed prior to issuing discipline.

**The Discipline Process at a Glance**

Even though the process may occur over a long period of time and may include a number of events, the process has two stages:

***1. The investigation Stage***

This is perhaps the most important part of the discipline process. Discipline cases are often won or lost based upon the amount of effort put into the investigation. At this stage the manager should be gathering facts and evidence to confirm what took place. This evidence might include witness statements, a report from a private investigator, documentary evidence, interviewing witnesses to the incident, and most important of all, interviewing the employee involved in the misconduct.

The employee interview is the key to the investigation, and it is should play a major in role in management's decision to issue discipline. Even when there is overwhelming evidence of an employee's guilt, it is still essential to interview the employee. An employee involved in a misconduct should be provided an opportunity to explain themselves.

***2. The Discipline Stage.***

Once management has heard the employee's explanation in the interview, verified the facts and gathered all the evidence, the decision to discipline can be made. Ideally, the decision should be made after discussions with other people in management, and talking about the specifics of the case with the Human Resources Department. The basis for discipline should also take into account, the factors discussed in the section on "just cause", i.e., the employee's past record, the severity of the incident, was the employee provoked. Ideally, discipline will not be issued "verbally" to an employee. Discipline should be issued in writing to an employee and only after the investigation and interviews have taken place.

**Conducting an Investigation into a Misconduct**

The main purpose of an investigation is to determine to the best of a managers' ability the facts surrounding misconduct in the workplace. As a result, investigations by their very nature should be conducted in a fair and objective manner. The need for objectivity and fairness is further reinforced by the fact that in a unionized workplace, employees have the ability to grieve discipline that is issued to them. Any discipline that is grieved, could eventually find itself before an arbitrator who will examine in detail the strength of the evidence and the fairness of the discipline.

Points to consider when Conducting an Investigation:

***1. Conduct an investigation with another member of Management.***

Where possible, two members of management should work together when conducting an investigation that could result in discipline. Ideally, these two managers will interview all witnesses together. Having two managers conduct an investigation provides the opportunity for Management to call two witnesses to testify to events. It also provides for better note taking and documentation of questions and answers during interviews. Consideration should be given to whether or not an investigating manager would make a good witness in a future hearing. Some individuals do not make good witnesses. Consideration should also be given as to whether or not a manager will be available six months to a year later to testify in any future hearing. A manager who will be leaving the University is not a good choice as an investigator.

***2. Union representation during an investigation***

There is a requirement for a shop steward to be present when interviewing a unionized employee where there is a reasonable belief that the employee may be disciplined. There is no requirement for a steward to be present if Management wants to interview an employee who was only a witness to misconduct or who is providing a complaint regarding another employee or member of management.

***3. Talk to as many witnesses as possible when conducting an investigation***

If it has been determined that there are witnesses to a misconduct, Management should meet with these witnesses in order to determine the best possible picture of the incident that has occurred. These meetings should be conducted formally, if possible, and notes taken of the witnesses' statements and answers to questions. If possible, request a written statement from any witnesses. While a written statement is often helpful, it does not replace the need to sit down and formally interview a witness.

***4. Investigate the paper trail***

There is often a substantial amount of "documentary" evidence that can be used to support evidence of misconduct. Examples of this include financial records, time cards, phone records (the University can obtain a record of every telephone call made on campus) computer records, e-mails, policy documents, performance appraisals etc.

When conducting an investigation, the security of this evidence must always be considered. There is always the possibility of this type of evidence being destroyed or altered if news of an investigation becomes known.

During an investigation, the employee's personal file should also be reviewed to determine if the employee has in fact been disciplined previously. If the employee has been previously disciplined, this should be mentioned in any subsequent discipline letter.

***5. Seek outside help to investigate evidence of misconduct***

At times it may not be possible for a manager to investigate into misconduct without the help of an expert. In fact many serious and complex cases of misconduct can only be properly investigated with the assistance of private investigators, forensic auditors, computer specialists and the like. This can be especially true with misconduct involving WCB or sick leave abuse, complex cases involving fraud or theft, and the misuse of computer technology. Choosing to hire an outside party to investigate into misconduct can be an effective tool for providing strong evidence of misconduct. It is suggested that you discuss the use of expert investigators with H.R. prior to bringing them into an investigation.

## Investigative Interviews

An investigative interview is the most valuable tool at Management's disposal for gathering information about misconduct in the workplace. Some of the more important reasons for conducting interviews are:

- To provide an opportunity for the employee involved in the misconduct to explain his or her actions
- To determine what involvement, if any, an employee had in a misconduct
- To gather direct evidence from the employee involved in the misconduct
- To gather evidence from third party witnesses about a misconduct

Except in unusual circumstances, investigative interviews should always take place before discipline is issued. Discipline should never be issued during the interview process. Often employees or union representatives will ask in the interview questions like: "what discipline will be issued here?" or "where is this going?". These types of questions should be answered by saying that Management is still conducting an investigation and that any discipline will be determined when the investigation is complete. Managers should never engage in discussion on potential discipline during investigations. The interview process is for gathering information, not for issuing discipline. Discipline should always come later and in writing.

The interview, if conducted successfully, should help to establish whether or not an employee did in fact take part in misconduct and the reasons why the employee did the misconduct. By conducting a thorough interview, it also makes it difficult for the employee or witnesses to "change their story" at a later date.

It is recommended that the supervisor type out the questions to be asked prior to having an interview. The questions should focus on the "who, what, where, when, why, and how" of the misconduct. In a typical investigation, all of the witnesses to the event will be interviewed first. Interviews with witnesses should be treated formally and good notes taken of their statements and answers to management questions. Management should also be gathering any "documentary" evidence which help might determine events. After speaking to witnesses and reviewing all the available evidence, the "suspect" employee should then be interviewed.

When interviewing employees who are suspected in a misconduct it is important that all the evidence that Management has gathered during the investigation stage is raised with the employee in the interview. An employee should leave the interview knowing what the specific allegations against them are. Management should not "hold back" evidence that it has against the employee. The questions asked of the employee should be as specific as possible, ideally with dates and approximate times that the event(s) occurred.

**Common Interview Problems**

***1. An employee who refuses to provide an answer to a question***

The purpose of most interviews is to gather information and to provide the employee an opportunity to explain their actions. Unfortunately, some employees will refuse to cooperate in interviews or refuse to answer questions. Ironically, from a legal perspective this actually hurts the employee a great deal. Arbitrators have confirmed that Management has a right to expect employees to be truthful and honest when facts are put to them in an interview. Refusal to answer a question allows the Employer to draw an "adverse inference". The inference being that the employee was in fact responsible for the misconduct. In these cases there is no point arguing with the employee. Management should politely ask the question again. If there is still a refusal or other disruptive tactics, Management should simply state to the employee that they are refusing to answer the question and that this will be recorded in the notes. Management should then move on to the next question even if the response is still the same refusal to respond or cooperate. The important point is that Management asked the question and provided the employee a chance to respond. The employees' silence will be very damaging in any future arbitration.

***2. The employee continually interrupts questioning by raising issues unrelated to the investigation***

An employee may disrupt an interview by wanting to discuss issues unrelated to the interview questions. A typical example is an employee who responds to a specific question on his/her conduct, by raising completely unrelated issues such "the bad morale in the department", "harassment by management" "favouritism on promotions " etc. This tactic is very common in an interview. It is done in the hope that management will move off the original question on the specific behaviour, i.e. "did you swear at your supervisor on Monday at 9:00 a.m?" and enter into a fruitless discussion on "harassment". This tactic is very similar to refusing to answer questions. Never engage in these discussions during an interview. This is not a union- management meeting. Stick to asking the original questions. The best response is to state, "that the purpose of this meeting is to ask specific questions regarding his/her behaviour, after the specific interview questions are completed, an opportunity will be provided to discuss the employee's other concerns."

If the behaviour continues, treat it in the same way as a refusal to answer a question.

***3. The Union or employee wishes to caucus during the interview***

In general, there is nothing wrong with a caucus during an interview. Many Union representatives will take this opportunity to explain to the employee the tremendous danger of being deceptive or dishonest in the interview. In fact, many employees have decided to "come clean" after a caucus session with their union representative and admitted to their involvement in a misconduct. Employee's who ask to caucus once or twice should be provided an opportunity.

Further caucus sessions may in fact become a tactic to disrupt an interview. Any such tactic should be protested strongly in the interview and recorded in the notes. Once again, this type of tactic actually hurts the employee if the case ever goes to arbitration. An employee who must repeatedly caucus after being asked simple and direct questions may be viewed with skepticism by an arbitrator.

Human Resources should also be informed immediately of any examples of disruptive caucus sessions in interviews.

***4. The employee asks to resign during the interview***

When faced with overwhelming evidence and very difficult questions, an employee or Union representative may raise the subject of resignation instead of answering the questions. A resignation under these circumstances is often an emotional reaction and can just as quickly change later on. The interview should not be stopped to discuss offers of resignation. Under these circumstances, it is always best to tell the employee that any decision to resign will have to be made after the investigation process and that for now management will continue with the interview questions.

***5. The Union representative offers to answer interview questions for the employee***

This is unacceptable practice that should not be tolerated during investigative interviews. Union representatives are perfectly entitled to clarify questions, but they should never be allowed to answer a question for an employee.

One of the main purposes of investigation interviews is to provide an employee an opportunity to explain their actions to management. Management must then gauge numerous factors such as an employee's credibility, any remorse or apology an employee may offer for their actions, whether or not the employee was aware of the policy or rule that was broken, etc. This is not possible if an employee simply refuses to speak to management. For example, how does Management judge credibility or accept an apology through a Union representative?

Any interview that begins with a Union representative stating that they will be "answering questions for the employee" should be immediately halted. The employee should then be notified that failing to answer a question on their own will be treated as a refusal to answer questions. The employee should than be notified that Management will draw an "adverse inference' for their refusal to answer questions on their own.

If the behaviour continues Management should end the interview. Human Resources should then be notified immediately. Fortunately, this practice is not very common with larger unions and normally only occurs with an inexperienced union steward.

### Discipline Stage

After the interview(s) is completed and management has gathered all available evidence, the decision to discipline can then be made. The decision to discipline should be based upon a number of factors. From Management's perspective it needs to be determined whether or not the employee's behaviour in the workplace needs to be corrected or stopped. If so, discipline is clearly an option to consider. That said, there may be other options available, especially if there are other factors that may have played a role in the misconduct i.e. mental health issues or substance abuse. In these circumstances, it is very important to discuss these issues with Human Resources before making a decision.

Another important factor that needs to be examined prior to issuing any discipline is the quality of the evidence. Put simply, Management needs to be able to prove its case for discipline. The accepted standard for proving guilt in labour law is based upon a "balance of probabilities" (this is a lower standard than "beyond a reasonable doubt" which is used in criminal law). If on a "balance of probabilities" Management feels that the employee has been involved in misconduct, than discipline is certainly an option. If the evidence is weak management should not pursue discipline.

Management should also take into consideration the eight principles raised in "Just Cause and its affect on Discipline" section above. These principles are the ones that arbitrators will look at when reviewing a manager's discipline. For example, management might reduce the discipline imposed if the employee had a ten year clean record and had shown remorse and apologized for their actions.

Another factor to look at is the "Principle of Progressive Discipline". Under this principle, discipline is administered in progressive stages. Progressive discipline means that management first tries to resolve the problem without imposing a severe penalty such as a long suspension or termination. However, if the employee's behaviour is not corrected, then the penalty is increased to the final step of actual termination. For example an employee who appeared late for work few a times would first receive a letter or warning rather than a suspension. It should also be noted that some misconducts are so severe that progressive discipline need not be followed. Serious misconducts such as theft, fighting, conducting illegal activity on the work site, etc, can lead to termination on the first offense.

Prior to issuing discipline it is important to take all of the above factors into consideration. The Human Resources department can be very helpful in this process and should be consulted before discipline is issued.

**Sequence of Events**

The following sequence of events summarizes the typical steps taken once misconduct occurred in the workplace:

1. A misconduct occurs in the workplace
2. Management investigates the misconduct, interviews witnesses and gathers evidence
3. Management interviews with the employee suspected in the misconduct
4. Management reviews all the evidence and consults with H.R. on the appropriate discipline
5. Issuing the letter of reprimand, letter of suspension, or termination

**Grievance**

A grievance is defined as a dispute between the employee and the employer (which may be the specific manager or the University at large) about the interpretation or application of the collective agreement. An employee may bring a grievance when they believe the collective agreement has been violated.

With any dispute, the best way to begin is to discuss the issue and try to resolve it before a grievance is formally filed.

**Recruiting**

When you're looking into hiring new staff, it's a good idea to include UBC HR staff early in the process. Their expertise can help you to review your organizational structure, and support you through each step in bringing on a new staff member.

The following are the steps involved in the recruiting process.

- Writing the Job Description
- Identifying Employment Groups
- Position Classification
- Posting Positions
- Recruitment Advertising
- Prioritizing Applications
- Recall and Duty-to-Accommodate Candidates
- Interviewing

- Testing
- Checking References
- Making a Job Offer

**Performance Development**

Performance development conversations help managers and employees communicate with one another, providing an opportunity for discussion, exchanging ideas, assisting with individual growth and development aligned with the organizational goals, and ensuring that both the employee and the manager have a common understanding regarding performance expectations for the role. True performance development comes in a number of forms. The quality of the conversation is more important than the specific tool used.

**Quality aspects in Mall Management:**

**Quality Assurance Services**

Quality Assurance (QA) as it is often termed as; "All those planned and the systematic action necessary to provide adequate confidence to a product or a service which will satisfy the given requirement for quality". QA includes industrial quality assurance, quality planning services, etc.

In other words, Quality Assurance is considered as controlling activities to ensure that customers expected and required standards are met. A customer shall obtain confidence either by assessing a Service Provider's Quality Management System.

For any quality assessment to be reliable, there need to be a set of objectives and criteria. Therefore, the introduction of ISO 9000 series of standard provides an internationally agreed set of criteria and our company was one of the first companies in India to get the above certification during the year of 2002.

**Quality Assurance Plan**

The Quality Assurance Plan is a composite document which contains all the information necessary to carry out the quality assurance activities for the project. To achieve the set standards, the following are observed by us,

- Quality Management System
- Quality Management System Audit
- Deficiency Trend Analysis
- Management Review
- Self Motivation and Morale
- Quality Annual Program

**Quality Management System (QMS)**

Quality Management System is one that includes quality management as an integral part of organization's management approach. Quality system is made up of the organizational structure, responsibilities, procedures, processes and resources for implementing quality management. Quality Management System will:

Define the processes that are necessary in order to provide services that meet customer requirements.

Ensure consistency in the execution of our work processes.

It also provides a mechanism in quality improvement.

Quality Management System will demonstrate commitment to quality and ability to satisfy Client needs. The reasons for developing a Quality Management System are to meet the following:

- Customer requirement/expectation.
- Internal benefit.
- Market advantage.
- Competitive pressure.

*And the benefits are:*

- Improved Service Satisfaction.
- Higher Perceived Quality.
- Competitive Edge.

- Increased Commercial Opportunity.
- Greater Quality Awareness.
- Enhanced Communication.
- Increased Productivity/Efficiency.
- Improved Documentation.
- Reduced Cost.

**Quality Control Plan**

To ensure a quality job is carried out and meets the customer requirement.

The following are the quality plan.

- Internal audit.
- Cross audit.
- External audit.
- Monitoring system.
- Process and procedure.
- Work instruction.
- Chemical usage.
- Machinery availability.
- Equipment availability.
- Safety and Health.
- Store management.
- Service request.
- Customer excellence survey form.
- Identification of irregularities.
- Periodic schedule work inspection / daily progress report.
- Monthly performance by project.
- To monitor the demerit system.
- Public and toilet logbooks.
- For continuous improvement, the chart/graph will be maintained.
- ISO 9002 standard.
- Non-conformance summaries.

**Summary**

Discipline in the workplace is the means by which supervisory personnel correct behavioural deficiencies and ensure adherence to established company rules. The purpose of discipline is correct behaviour. It is not designed to punish or embarrass an employee. In general, discipline should be restricted to the issuing of letters of warning, letters of suspensions, or actual termination. Employers should refrain from "disciplining" employees by such methods as altering work schedules, assigning an employee to do unpleasant work, or denying vacation requests. These are the examples of misconduct, Just cause and its effect on discipline, The discipline process at a glance, Conducting an investigation, Investigative interviews, Common interview problems, Discipline stage, Sequence of events. Another important factor that needs to be examined prior to issuing any discipline is the quality of the evidence. Put simply, Management needs to be able to prove its case for discipline. The accepted standard for proving guilt in labour law is based upon a "balance of probabilities" (this is a lower standard than "beyond a reasonable doubt" which is used in criminal law). If on a "balance of probabilities" Management feels that the employee has been involved in a misconduct, than discipline is certainly an option. If the evidence is weak management should not pursue discipline. Quality Assurance (QA) as it is often termed as; "All those planned and the systematic action necessary to provide adequate confidence to a product or a service which will satisfy the given requirement for quality". QA includes industrial quality assurance, quality planning services, etc. Quality Management System is one that includes quality management as an integral part of organization's management approach. Quality system is made up of the organizational structure, responsibilities, procedures, processes and resources for implementing quality management. Quality Management System will:

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## Lesson 5.4 - Statistical Methods Used in Measuring Mall Performance

### Learning Objectives

- Learn about the statistical techniques used to measure mall performance
- Understand the Reliability and validity

### Introduction

The data acquired for quantitative marketing research can be analyzed by almost any of the range of techniques of statistical analysis, which can be broadly divided into descriptive statistics and statistical inference. An important set of techniques is that related to statistical surveys. In any instance, an appropriate type of statistical analysis should take account of the various types of error that may arise, as outlined below.

Quantitative marketing research is the application of quantitative research techniques to the field of marketing. It has roots in both the positivist view of the world, and the modern marketing viewpoint that marketing is an interactive process in which both the buyer and seller reach a satisfying agreement on the “four Ps” of marketing: Product, Price, Place (location) and Promotion.

As a social research method, it typically involves the construction of questionnaires and scales. People who respond (respondents) are asked to complete the survey. Marketers use the information so obtained to understand the needs of individuals in the marketplace, and to create strategies and marketing plans.

### Typical General Procedure

Simply, there are five major and important steps involved in the research process:

1. Defining the Problem.
2. Research Design.
3. Data Collection.
4. Analysis.
5. Report Writing & presentation.

A brief discussion on th0ese steps is:

1. Problem audit and problem definition - What is the problem? What are the various aspects of the problem? What information is needed?
2. Conceptualization and operationalization - How exactly do we define the concepts involved? How do we translate these concepts into observable and measurable behaviours?
3. Hypothesis specification - What claim(s) do we want to test?
4. Research design specification - What type of methodology to use? - examples: questionnaire, survey
5. Question specification - What questions to ask? In what order?
6. Scale specification - How will preferences be rated?
7. Sampling design specification - What is the total population? What sample size is necessary for this population? What sampling method to use?- examples: **Probability Sampling** (cluster sampling, stratified sampling, simple random sampling, multistage sampling, systematic sampling) & **Non probability sampling** (Convenience Sampling, Judgment Sampling, Purposive Sampling, Quota Sampling, Snowball Sampling, etc. )
8. Data collection - Use mail, telephone, internet, mall intercepts
9. Codification and re-specification - Make adjustments to the raw data so it is compatible with statistical techniques and with the objectives of the research - examples: assigning numbers, consistency checks, substitutions, deletions, weighting, dummy variables, scale transformations, scale standardization
10. Statistical analysis - Perform various descriptive and inferential techniques (see below) on the raw data. Make inferences from

the sample to the whole population. Test the results for statistical significance.

11. Interpret and integrate findings - What do the results mean? What conclusions can be drawn? How do these findings relate to similar research?

12. Write the research report - Report usually has headings such as: 1) executive summary; 2) objectives; 3) methodology; 4) main findings; 5) detailed charts and diagrams. Present the report to the client in a 10 minute presentation. Be prepared for questions.

The design step may involve a pilot study to in order to discover any hidden issues. The codification and analysis steps are typically performed by computer, using statistical software. The data collection steps, can in some instances be automated, but often require significant manpower to undertake. Interpretation is a skill mastered only by experience.

### Reliability and Validity

- Research should be tested for reliability, generalizability, and validity.
- ***Generalizability*** is the ability to make inferences from a sample to the population.
- ***Reliability*** is the extent to which a measure will produce consistent results.
- *Test-retest reliability* checks how similar the results are if the research is repeated under similar circumstances. Stability over repeated measures is assessed with the Pearson coefficient.
- *Alternative forms reliability* checks how similar the results are if the research is repeated using different forms.
- *Internal consistency reliability* checks how well the individual measures included in the research are converted into a composite measure. Internal consistency may be assessed by correlating performance on two halves of a test (split-half reliability). The value of the Pearson product-moment correlation coefficient is adjusted with the Spearman–Brown prediction formula to correspond to

the correlation between two full-length tests. A commonly used measure is Cronbach's α, which is equivalent to the mean of all possible split-half coefficients. Reliability may be improved by increasing the sample size.

**Validity** asks whether the research measured what it intended to.

- *Content validation* (also called face validity) checks how well the content of the research are related to the variables to be studied; it seeks to answer whether the research questions are representative of the variables being researched. It is a demonstration that the items of a test are drawn from the domain being measured.
- *Criterion validation* checks how meaningful the research criteria are relative to other possible criteria. When the criterion is collected later the goal is to establish predictive validity.
- *Construct validation* checks what underlying construct is being measured. There are three variants of construct validity: convergent validity (how well the research relates to other measures of the same construct), discriminant validity (how poorly the research relates to measures of opposing constructs), and nomological validity (how well the research relates to other variables as required by theory).
- *Internal validation*, used primarily in experimental research designs, checks the relation between the dependent and independent variables (i.e. Did the experimental manipulation of the independent variable actually cause the observed results?)
- *External validation* checks whether the experimental results can be generalized.

Validity implies reliability: A valid measure must be reliable. Reliability does not necessarily imply validity, however: A reliable measure does not imply that it is valid.

## Types of Errors

### Random Sampling Errors

- Sample too small
- Sample not representative

- Inappropriate sampling method used
- Random errors

**Research Design Errors**

- Bias introduced
- Measurement error
- Data analysis error
- Sampling frame error
- Population definition error
- Scaling error
- Question construction error

**Interviewer Errors**

- Recording errors
- Cheating errors
- Questioning errors
- Respondent selection error

**Respondent Errors**

- Non-response error
- Inability error
- Falsification error

**Hypothesis Errors**

- **Type I error (also called alpha error)**
  - The study results lead to the rejection of the null hypothesis even though it is actually true
- **Type II error (also called beta error)**
  - The study results lead to the acceptance (non-rejection) of the null hypothesis even though it is actually false

A **people counter** is a device used to measure the number and direction of people traversing a certain passage or entrance per unit time. The resolution of the measurement is entirely dependent on the sophistication of the technology employed. The device is often used at the entrance of a building so that the total number of visitors can be recorded. Many different technologies are used in people counter devices, such as infrared beams, computer vision, thermal imaging and pressure-sensitive mats

**Retail**

There are various reasons for counting people. In retail stores, counting is done as a form of intelligence-gathering. The use of people counting systems in the retail environment is necessary to calculate the conversion rate, i.e., the percentage of a store's visitors that makes purchases. This is the key performance indicator of a store's performance and is superior to traditional methods, which only take into account sales data. Together, traffic counts and conversion rates how a store arrived at sales, e.g., if year-over-year sales are down, did fewer people visit the store, or did fewer people buy? Accurate visitor counting is also useful in the process of optimizing staff shifts; Staff requirements are often directly related to density of visitor traffic and services such as cleaning and maintenance are typically done when traffic is at its lowest. More advanced People Counting technology can also be used for queue management and customer tracking. Although traffic counting is widely accepted as essential for retailers, it is estimated that less than 25% of major retailers track traffic in their stores.

Shopping mall marketing professionals rely on visitor statistics to measure their marketing. Often, shopping mall owners measure marketing effectiveness with sales, and the also use visitor statistics to scientifically measure marketing effectiveness. Marketing metrics such as CPM (Cost Per Thousand) and SSF (Shoppers per Square Foot) are performance indicators that shopping mall owners monitor to determine rent according to the total number of visitors to the mall or according to the number of visitors to each individual store in the mall.

**Occupancy**

For safety, public locations are often rated to hold a certain number of people. Accurate people counting are used to ensure that the building is below the safe level of occupancy. Although, no people counting system is 100% accurate and therefore must not be entirely relied upon for the purposes of health & safety, an electronic people counting system offers a relatively accurate means of managing capacity.

**Non-Profit Organizations**

Many non-profit organizations use visitor counts as evidence when making applications for finance. In cases where tickets are not sold, such as in museums and libraries, counting is either automated, or staff keep a log of how many clients use different services.

**Technologies**

Modern people counting systems use many different technologies, each with its own advantages and disadvantages. The main types are listed below.

**Tally Counter**

A hand-held tally-counter, sometimes called a **clicker-counter**, would be used; one press per person. To reset the counter, one would have to turn a knob, resetting most counters' display to "0000".

**Infrared Beams**

The simplest forms of counter is a single, horizontal infrared beam across an entrance which is typically linked to a small LCD display unit at the side of the doorway or can also be linked to a PC or send data via wireless links and GPRS. Such a beam counts a 'tick' when the beam is broken; therefore it is normal to divide the 'ticks' by two to get visitor numbers. Dual beam units are also available from some suppliers and can provide low cost directional flow 'in' and 'out' data. Accuracy depends highly on the width of the entrance monitored and the volume of traffic.

Horizontal Beam Counters usually require a receiver or a reflector mounted opposite the unit with a typical range up to 6 meters (20 ft), although range finding beam counters which do not require a reflector or receiver usually have a shorter range of around 2.5 meters (8 ft 2 in).

Vertical beams are somewhat more accurate than horizontal, with accuracies of over 90% possible if the beams are very carefully placed. Typically they do not give 'in and out' information, although some directional beams do exist.

***Advantages***

- Inexpensive
- Simple to fit

***Disadvantages***

- Most basic beam sensors are limited to non-directional counts
- Can't discern people walking side-by-side
- Cannot count high volume, uninterrupted traffic
- High potential to become blocked by people standing in an entrance or by merchandise or displays
- Infra-red beam counters may be negatively affected when subject to direct sunlight

**Computer Vision**

Computer vision systems typically use either a closed-circuit television camera or IP camera to feed a signal into a computer or embedded device. Some computer vision systems have been embedded directly into standard IP network cameras. This allows for distributed, cost efficient and highly scalable systems where all image processing is done on the camera using the standard built in CPU. This also dramatically reduces band width requirements as only the counting data has to be sent over the Ethernet.

Accuracy varies between systems and installations as background information needs to be digitally removed from the scene in order to recognize, track and count people. This means that CCTV based counters can be vulnerable to light level changes and shadows, which can lead to inaccurate counting. Lately, robust and adaptive algorithms has been developed that can compensate for this behavior and excellent counting accuracy can today be obtained for both outdoor and indoor counting using computer vision.

***Advantages***

- High accuracy, in correct conditions sometimes over 98%
- Directional information
- Flexible in customization
- Highly scalable when embedded in IP cameras
- Integration with other systems

***Disadvantages***

- Higher cost than beam systems
- May require repeat visits for calibration
- Lower lifetime and higher power consumption than thermal systems
- Many systems require PCs are not fully embedded
- Less simple implementation than beam systems
- Accuracy can be affected by differing light levels

**Thermal Imaging**

Thermal imaging systems use array sensors which detect heat sources, rather than using cameras as in computer vision systems. These systems are typically implemented using embedded technology and are mounted overhead for high accuracy. Because they are detecting the emitted heat from people, they are able to count in all lighting levels, and also do not need to employ complex background removal algorithms use in computer vision systems. This leads to a more stable and accurate people count.

***Advantages***

- Directional information
- Not affected by differing light levels
- Can count in complete darkness
- None intrusive usually ceiling mounted
- identifiable images of people are not taken
- High accuracy, in correct conditions over 98%

- Very long lifetime - MTBF >25 years
- Highly scalable, fully embedded IP Systems
- Networkable to cover wide entrances

***Disadvantages***

- Higher cost than beam systems
- Lower field of view than video systems
- Cannot be used with ceiling heights below 2.2m
- May not work in winter when people are wearing thick coats.

**Synthetic Intelligence**

This system employs multiple IR transceivers to create a count zone at ankle height. The artificial intelligence counters function in a similar way to the human brain, in other words, each event is evaluated in terms of features to determine the correct outcome i.e. count per direction. As a person passes the count zone a pattern is generated. The onboard processor extracts the features of the pattern and based on what it has been taught makes a decision regarding the event by brute force calculation.

***Advantages***

- Accuracy of 96% or higher
- Directional information
- Discriminates between human and non-human objects
- Sensors can count in outdoor environments
- Can count in all lighting conditions
- Can count in complete darkness

***Disadvantages***

- Larger, more obtrusive design than other types of sensing technology.
- High potential to become blocked by people standing in an entrance or by merchandise or displays.
- Cannot count high volume, uninterrupted traffic

## Summary

The data acquired for quantitative marketing research can be analyzed by almost any of the range of techniques of statistical analysis, which can be broadly divided into descriptive statistics and statistical inference. An important set of techniques is that related to statistical surveys. In any instance, an appropriate type of statistical analysis should take account of the various types of error that may arise, as outlined below. Shopping mall marketing professionals rely on visitor statistics to measure their marketing. Often, shopping mall owners measure marketing effectiveness with sales, and the also use visitor statistics to scientifically measure marketing effectiveness. Marketing metrics such as CPM (Cost Per Thousand) and SSF (Shoppers per Square Foot) are performance indicators that shopping mall owners monitor to determine rent according to the total number of visitors to the mall or according to the number of visitors to each individual store in the mall. Computer vision systems typically use either a closed-circuit television camera or IP camera to feed a signal into a computer or embedded device. Some computer vision systems have been embedded directly into standard IP network cameras. This allows for distributed, cost efficient and highly scalable systems where all image processing is done on the camera using the standard built in CPU.

## Self Assessment Questions

1. Write a brief description on mall management.
2. What are the various types of retail formats?
3. Explain the concept of mall design.
4. What are the various factors influencing malls establishments?
5. How do you design Shopping Mall Management System?
6. Discuss the HR aspects in mall management.
7. What are the common Interview Problems?
8. Give a detailed account of Quality Management System.
9. Mention and explain the statistical methods used in measuring mall performance.
10. Give a detailed account of Reliability and validity in Retail.

## CASE STUDY

### Star Retail India Ltd.

Star Retail India Ltd. (SRIL) is now emerging as India's first hyper market chain.

Hyper markets are essentially discount stores. The SRIL hyper market stores are expected to offer the products that are 25 - 31 percent lesser than the market price.

SRIL calls its hyper markets store F as Star Bazaar. An ambience that attracts the family as a whole is what SRIL aims at in the Star Bazaar.

Modeled along the lines of global hyper market chains like Wal-Mart, the Star Bazaar will stock several product categories. The present estimate is that it will stock close to 1.5 lac items across 20 product categories, including utensils, pharmaceuticals, electrical items, hardware, and food and provisions.

SRIL is developing major shopping malls in Bazaar store was opened sq. ft space. Network of Star Bazaars in all the country, SRII's first Star in Hyderabad It has 60,000.

Through its hyper market endeavor, SRII is all set to run India's biggest retail stores in different cities in terms of space occupied. All the mall owners now view the SRIL hyper market chain as attractive anchor tenants for their malls.

**Questions**

(a) Locational decisions lie in the type of goods sold. Do you think SRIL has chosen the proper sites for their hyper market retail chains? Evaluate the pros and cons.

(b) Do you think hyper markets would be effective in the Indian context? Substantiate.

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