

SOS POLITICAL SCIENCE AND PUBLIC
ADMINISTRATION
MBA HRD 406 (B)

SUBJECT NAME: FUNDAMENTALS OF
RETAIL MANAGEMENT(OPT.PAPER)

UNIT-I

TOPIC NAME-MEANING OF RETAIL,
RETAILING

What Is Retail?

Retail is the final channel of distribution where small quantities of goods (or services) are sold directly to the consumer for their own use.

Two key-phrases in this definition that separate retail from wholesale are –

Small quantities of goods: Unlike manufacturing or wholesale, the number of goods involved in a retail transaction is very less.

Directly to the consumer: Retail stores are the last channels of distribution where the actual sales to the customer happen.

What Is Retailing?

Retailing is the distribution process of retailer getting the goods (either from the manufacturer, wholesaler, or agents) and selling them to the customers for the actual use.

In simple terms, retailing is the transaction of small quantities of goods between a retailer and the customer where the good is not bought for the resale purpose.

What is A Retailer?

A retailer is a person or a business who sells small quantities of goods to the customers for the actual use.

Remember –

Retail is a **channel of distribution**

Retailing is a **business process**

Retail is a **business or person**

Definition and Scope of Retailing:

Retail Industry, one of the fastest changing and vibrant industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means 'to cut a piece off or to break bulk'. In simple terms, it implies a first-hand transaction with the customer.

Retailing can be defined as the buying and selling of goods and services. It can also be defined as the timely delivery of goods and services demanded by consumers at prices that are competitive and affordable.

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.

Importance Of Retailing

Retailing is important for the creators, customers, as well as the economy. Retail stores are the places where most of the actual sales to the customers take place. They act as both a marketing tool for the brands and a support tool for the customers to exchange and communicate important information.

Besides this, retailing is a great asset to the economy. It provides jobs, adds to the GDP, and acts as a preferred shopping channel during the holiday season.

How Retail Works?

Retail works on a simple revenue model of mark-up. The retailers buy the goods at a cost price, add up the cost of labour, equipment, and distribution to it along with the desired profit margin, and sell it at a higher price.

Retailing Types

Retailing can be divided into five types. Here are the types of retailing that exists today –

- **Store retailing:** This includes different types of retail stores like department stores, speciality stores, supermarkets, convenience stores, catalogue showrooms, drug stores, superstores, discount stores, extreme value stores etc.
- **Non-store retailing:** Non-store retailing is a type of retailing where the transaction happens outside conventional shops or stores. It is further divided into two types – *direct selling* (where the company uses direct methods like door-to-door selling) and automated vending (installing automated vending machines which sell offer variety of products without the need of a human retailer).
- **Corporate retailing:** It involves retailing through corporate channels like chain stores, franchises, and merchandising conglomerates. Corporate retailing focuses on retailing goods of only the parent or partner brand.

Characteristics Of Retailing

Retailing can be differentiated from wholesaling or manufacturing because of its certain distinct characteristics which include –

- **Direct contact with the customer** – Retailing involves direct contact with the end customer and are a mediator between the wholesaler and the customer or the manufacturer and the customer depending upon the distribution channels used.
- **Relationship with the customers** – Retailers form a bond with the customers and help them decide which products and services they should choose for themselves.
- **Stock small quantities of goods** – Retailers usually stock small quantities of goods compared to manufacturers and wholesalers.
- **Stock goods of different brands** – Retailers usually stock different goods of different brands according to the demand in the market.

Characteristics Of Retailing-2

- **Customers' contact with the company** – Retailers act as the representatives of the company to the end customers who give their feedback and suggestions to them.
- **Have a limited shelf space** – Retail stores usually have very limited shelf space and only stock goods which have good demand.
- **Sells the goods at maximum prices** – Since retailing involves selling the products directly to the customers, it also witnesses the maximum price of the product.

Functions Of Retailing

Retailers have many important functions to perform to facilitate the sale of the products. These functions include –

•Sorting

Manufacturers produce large quantities of similar goods and like to sell their inventories to few buyers who buy in lots. While customers desire many varieties of goods from different manufacturers to choose from. Retailers balance the demands of both sides by collecting and assorting the goods from different sources and placing them according to the customers' needs.

•Breaking Bulk

Retailers buy the goods from manufacturers and wholesalers in sufficiently large quantities but sell to the customers in small quantities.

Functions Of Retailing-2

•**Channel Of Communication**

Since retail involves direct contact with the end consumers, it forms a very important channel of communication for the companies and manufacturers. The manufacturer tries to communicate the advantages of their products as well as the offers and discounts through retailers.

Retail also acts as a mediator between the company and the customer and communicates the feedback given by the customers back to the manufacturer or wholesaler.

•**Marketing**

Retail stores are the final channels where the actual decisions are made. Hence, they act as important marketing channels for the brands. Smart placements, banners, advertisements, offers, and other strategies are executed by the manufacturers to increase their sales in retail stores.