# F.Y.B.Com

# SEMESTER - II

## COMMERCE II

## SUBJECT CODE - UBCOMFSII.2

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| **2** | **Retailing** |
| | • **Introduction:** Concept of organized and unorganized retailing , Trends in retailing, growth of organized retailing in India, Survival strategies for unorganized Retailers<br>• **Retail Format:** Store format, Non – Store format, Store Planning, design and layout<br>• **Retail Scenario:** Retail Scenario in India and Global context – Prospects and Challenges in India. Mall Management – Retail Franchising. FDI in Retailing, Careers in Retailing |
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## III

### Question Paper Pattern

Maximum Marks: 100
Questions to be set: 06
Duration: 03 Hrs.
All Questions are Compulsory Carrying 15 Marks each.

| Question No | Particular | Marks |
|---|---|---|
| Q-1 | Objective Questions<br>A) Sub Questions to be asked 12 and to be answered any 10<br>B) Sub Questions to be asked 12 and to be answered any 10<br>(*Multiple choice / True or False / Match the columns/Fill in the blanks) | 20 Marks |
| Q-2<br><br>Q-2 | Full Length Question<br>***OR***<br>Full Length Question | 15 Marks<br><br>15 Marks |
| Q-3<br><br>Q-3 | Full Length Question<br>***OR***<br>Full Length Question | 15 Marks<br><br>15 Marks |
| Q-4<br><br>Q-4 | Full Length Question<br>***OR***<br>Full Length Question | 15 Marks<br><br>15 Marks |
| Q-5<br><br>Q-5 | Full Length Question<br>***OR***<br>Full Length Question | 15 Marks<br><br>15 Marks |
| Q-6<br><br>Q-6 | A) Theory questions<br>B) Theory questions<br>***OR***<br>Short Notes<br>To be asked 06<br>To be answered 04 | 10 Marks<br>10 Marks<br><br>20 Marks |

***Note:***
***Theory question of 15 marks may be divided into two sub questions of 7/8 and 10/5Marks.***

**Reference Books:**


- Business Organisation Management Maheshwari, Rajendra P ,Mahajan, J.P.,International Book House
- Business Organisation, Maheshwari, Rajendra P, Mahajan, J.P., International Book House
- Introduction To Commerce, Vikram, Amit, Atlantic Pub
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- Business Environment, Cherunilam,Francis, Himalaya Pub
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- Strategic Management, Kapoor, Veekkas, Taxmann
- Strategic Management, David,Fred R., Phi Leraning
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- Entrepreneurship, Hisrich, Robert D, Mc Graw Hill
- Entrepreneurship Development, Sharma, K.C., Reegal Book Depot
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- Introduction To Retailing, Lusch, Robert F., Dunne, Patrick M., Carver, James R., Cengage Learning
- Retailing Management, Levy Michael., Weitz Barton A, Tata Mcgraw Hill


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# Unit-1

## CONCEPT OF SERVICES

**Unit structure :**



## 1.0 OBJECTIVES

After studying the unit the students will be able to:

- Understand the concept of service.
- Know the main features of services.
- Explain the difference between goods and services.
- Understand the scope of services.
- Classify the services.
- Discuss about the importance of service sector in India.

## 1.1 INTRODUCTION

A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production.

Services are economic activities that create value and provide benefits for customers at specific times and places as a result of bringing about a desired change in – or on behalf of – the recipient of the service.

## 1.2 MEANING AND DEFINITION

More amusingly, services have been described as “something that may be bought and sold, but which cannot be dropped on your foot.”

**Definition and Meaning:**

The term services is not limited to personal services like auto servicing, beauty parlors, Medical Services, legal service, Consultancy services etc. On the contrary, it has other connotations according to management gurus. Services have been defined in several ways but there does not exist any universal definition. Some definitions have been mentioned below:

‘Establishments’ primarily engaged to provide various services to individuals, businesses and government establishments, other organizations, hotels and other lodging places, establishments providing personal services as per individual requirement, entertainment services. Educational institutions, membership organizations and other miscellaneous services are included’ **-Saser, Olson and Wyekoffs**

‘Services refer to social efforts which include government to fight five giant evils, want, disease, ignorance, squalor and illness in the society.’**-Sir William Bieveridge**

‘Services can also be defined as an action(s) of organization(s) which maintain and improve the well – being and functioning of people”. **Hasenfield**

‘Services are activities, benefits or satisfactions which are offered for sale or are provided in connection with the sale of goods.’ -**American Marketing Association**

**Philip Kotler and Bloom (1984)** Philip Kotler and Bloom defined service as “any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product." This definition more or less follows the earlier ones. The focus was given to the absence of ownership as a special feature of services, which has significant business implications.

**Christian Gronroos (1990)** According to Gronroos "a Service is an activity or series of activities of more or less intangible nature that normally, not necessarily take place in interactions between the customer and service employees and / or physical resources or goods and / or systems of the services provider, which are provided as solutions to customer problems."

These definitions make it clear that services are activities, benefits or satisfactions given to the individual and the society in a larger perspective. The applications of all these definitions apply to the sale of products to consumers, which may be tangible or intangible in nature.

## 1.3 FEATURES AND CHARACTERISTICS OF SERVICES

For services marketing, the distinguishing features or characteristics of services are important in the design of an appropriate marketing mix. The core characteristics are defined below:

1. **Intangibility:**

Even though many services include tangible aspects such as an airline seat, a classroom, a restaurant table and food, the service performance leading to a customer's experience is intangible. The benefits of buying a service are from the nature of the performance. In comparison to physical goods, services cannot be stored or readily displayed. They are difficult to communicate, cannot be protected through patents and prices are difficult to set. The intangible nature of services often means that customers have difficulty in evaluating and comparing services. As a result they may use price as a basis for assessing quality and they may place greater emphasis on personal information sources. All this leads to consumers having higher levels of perceived risk.

2. **Inseparability:**

Because services are processes, deeds or acts, customers are involved in the production of a service. Also other consumers may be involved in the production environment and centralized mass production is difficult, particularly if the service is more complex or customized. For most services both the buyer and the seller need to be at the same place at the same time for the service to occur. Because centralized mass production is difficult, consumers often have to travel to the point of service production. For example, it is hard to imagine a haircut without both customer and hairdresser. For a bank clerk or hairdresser the manner in which the service is produced is an essential element of the total promotion of the service.

Thus the behavior and attitude of other consumers may have an impact upon the nature and experience of a service. For example, a loud or over – demanding customer can deflect the service staff's attention and impact the quality of service delivery to other consumers. In this circumstance it may be difficult for the service providers to control the quality and consistency of the service, unless the staff has been trained to deal with such situations in a precise and effective manner.

3. **Perishability:**

Given the intangible nature of services, they cannot be inventoried, stored warehoused or re – used. A lawyer cannot store parts of his or her knowledge for others to use while the lawyer is in court or on holiday. The hairdresser cannot store haircuts so that when a rush occurs on a Sunday morning all customers can have their hair cut at once. Thus the availability of enough opportunities for service delivery at relevant times is important for service managers.

4. **Customer participation:**

Service production is not a one – sided activity. Customers are co – producers of service. The production quality of the service greatly depends upon the ability, skill and performance of the employees as well as the ability and performance of the customer. In the service interaction, although the employees and the customers do not play an equal part in production, the role of the customer cannot be overemphasized. Service firms should make the customers cannot be overemphasized. Service firms should make the customers aware of the service package and the production process through proper communication media. They should take necessary steps to train customers, if necessary, to provide quality experience of the service. Perfection from the organization's side in service production cannot ensure positive results unless the consumers are involved with the process. Therefore, specific and special orientation to different groups of customers is necessary.

5. **No Ownership:**

Service consumers will have experiences but not ownership. Since the services are intangible and perishable, the question of ownership doesn't arise. But this characteristic will add to the problems of the service marketer. Convincing the customer with tangible goods on which he will have ownership through transfer of title is much easier than selling an experience where nothing remains after consumption, except the memory of it. Customer dissonance would be higher in the case of services than of goods.

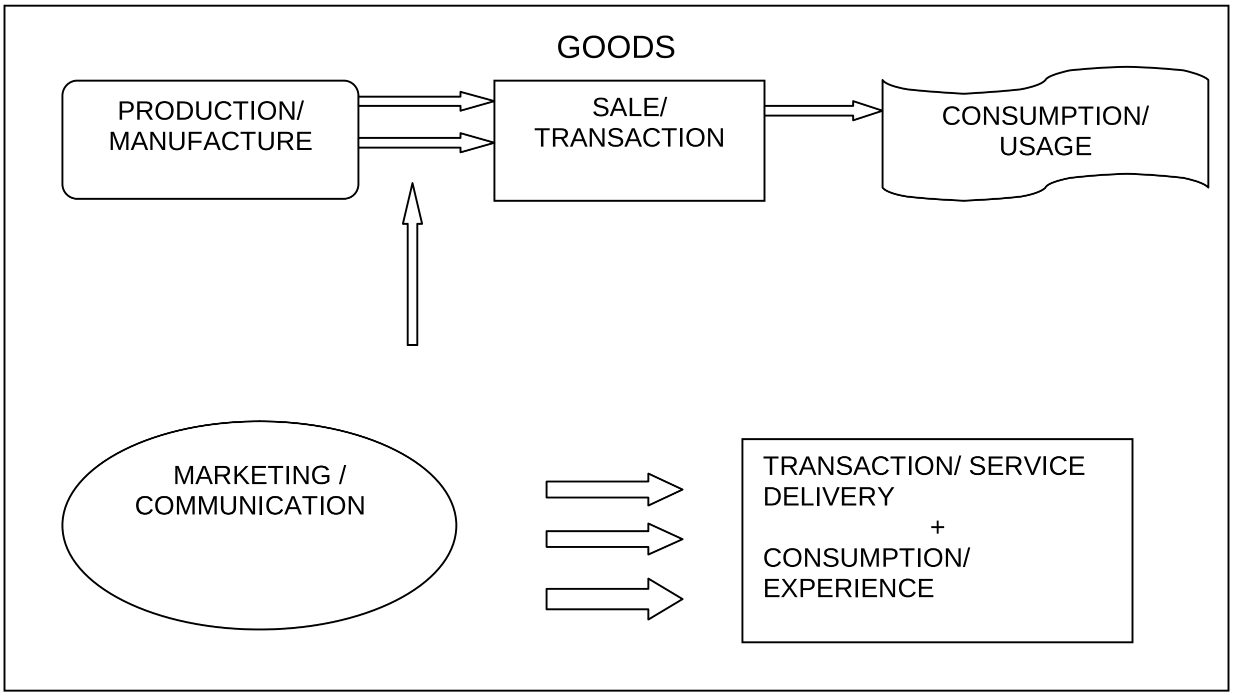
6. **Variability or Non – Standardization or Heterogeneity.**

The service industry suffers from a curious characteristic – Variability – that greatly affects its offer. The service offer is never consistent in its quality and delivery. The same service product is never delivered in the same way to the same customer across two different time periods; a customer perceives the service transaction as having a different quality when delivered from two different places – or even on two different occasions at the same service outlet. By its very nature, it can never be an identical, repeatable experience every time – only an approximation thereof. This is so unlike goods, where the customer is convinced that the product that he buys is the same- irrespective of where he has purchased it and whom he has purchased from. The Dove bath soap that Mrs. Roy buys from her retailer in Mumbai would be the same if she bought it in Chennai during her business trip or in Kodaikanal, Tamil Nadu while holidaying. Thus, while there is homogeneity or some kind of standardization in the product features of goods, a service offer lacks them.

## 1.4 DIFFERENCE BETWEEN GOODS AND SERVICES:

Goods are defined as those which can be physically experienced, verified and treated or exchanged with or without making profits. This includes necessities like food, clothes, and books, other domestic and industrial items which can be stored and are tangible in nature.

Services, on the other hand, are activities, benefits or satisfactions which are available to consumers through sale. For example, hotel business, personal care, legal or medical services, banking and insurance services, etc. cannot be stored at any place and one has to hire someone else to perform the services. The result is a positive social existence.




## 1.5 CLASSIFICATION OF SERVICES

Classification of services helps service managers to cross their industry boundaries and gain experience from other service industries which share common problems and have similar characteristics. Solutions to problems and breakthroughs in similar service industries can then be applied by managers to their own service businesses.

At the simplest level we can categorize services by exclusion: Services are that part of the economy left over after the exclusion of agriculture, manufacturing and mining.

A description of services typically includes the following industry sectors:

- Retailing and wholesaling.
- Transportation, distribution and storage.
- Banking and insurance
- Real Estate

- Communications and information services.
- Public utilities, government and defense.
- Health Care.
- Business, professional and personal services.
- Recreational and hospitality services.
- Education.
- Other non – profit organizations.

However, such listings are not very helpful in identifying the features relevant to the marketing of services.

Many other approaches have been used to classify services. Classification schemes use a wide range of factors such as:

- Type of service.
- Type of seller.
- Type of purchaser
- Demand characteristics.
- Rented v/s Owned services.
- Degree of intangibility
- Buying motives.
- Equipment based versus people based.
- Amount of customer contact.
- Service delivery requirements
- Degree of customization.
- Degree of labour intensity.

**Check Your Progress**

**1. State whether following statement are True of False.**

**a.** A service is any act or performance that one party can offer to another that is essentially tangible and does not result in the ownership of anything.

**b.** It is very easy to make each service experience identical.

**c.** Service provider always visit the customers site to provide services.

**d.** Service deliverers involve the pure service rendered by the professional staff like doctors in hospitals, teachers in academics.

**e.** Services can be produced in anticipation of demand.

**f.** Service analysts are the people who are entrusted with the task of concurrent review and evaluation of services in the organization

**g.** Services can be touched as they are intangible.

**h.** The potential service product is the lowest level of a service product.

**2. FILL IN THE BLANKS**

a. ___________ is a type of economic activity that is intangible, is not stored and does not result in ownership.

b. You cannot own and store a service like you can ___________.

c. Services are generally_______________.

d. Services cannot be separated from the___________ ___________.

e. The production and consumption of services may take place at ______________.

f. ___________ ___________is the element of the service mix which allows the consumer again to make judgments on the organization.

g. ___________ ___________are the personnel who provide the supporting managerial services like administration. ,

h. ___________ ___________are the personnel employed in manual jobs in the service organizations such as nurses in hospitals.

i. Services may be classified on the_____________ basis.

j. Service sector provides revenue to Govt. by way of_______________.

## 1.6 SCOPE OF SERVICES

When discussing strategies to market manufactured goods, marketers usually address four basic strategic elements; product, price, place (or distribution), and promotion (or communication). Collectively, these categories are often referred to as the 4 Ps of the marketing mix. However, the distinctive nature of service performances, especially such aspects as customer involvement in production and the importance of the time factor, requires that other strategic elements be included. To capture the nature of this challenge, we will be using the 8 Ps model of integrated service management, which highlights the strategic decision variables facing the manager of a service organization.

**Product Elements**:

Managers must select the features of both the core product (either a good or service) and the bundle of supplementary service elements surrounding it, with reference to the benefits desired by customers and how well competing products perform. In short, they must be attentive to all aspects of the service performance that have the potential to create value for customers.

**Place, Cyberspace, and Time**:

Delivering product elements to customers involves decisions on the place and time of delivery as well as on the methods and channels employed. Delivery may involve physical or electronic distribution channels (or both), depending on the nature of the service being provided. Use of messaging services and the Internet allows information – based services to be delivered in cyberspace for retrieval by telephone or computer wherever and whenever it suits the customer. Firms may deliver service directly to customers or through intermediary organizations, such as retail outlets that receive a fee or percentage of the selling price to perform certain tasks associated with sales, service and customer contact. Speed and convenience of place and time for the customer are becoming important determinants in the service delivery strategy.

**Process:**

Creating and delivering product elements to customers requires the design and implementation of effective processes that describe the methods and sequence of actions in which service operating systems work. Badly designed processes are likely to annoy customers when the latter experience slow, bureaucratic, and ineffective service delivery. Similarly, poor processes make it difficult for frontline staff to do their jobs well, result in low productivity, and increase the likelihood of service failures.

**Productivity and Quality:**

These elements, often treated separately, should be treated strategically as interrelated. No service firm can afford to address either element in isolation. Productivity relates to how inputs are transformed into outputs that are valued by the customer, whereas quality refers to the degree to which a service satisfies customers by meeting their needs, wants and expectations. Improving productivity is essential to keep costs under control, but managers must beware of making inappropriate cuts in service levels that are resented by customers (and perhaps by employees, too). Service quality as defined by customers is essential for product differentiation and building customer loyalty. However, investing in quality improvement without understating the tradeoff between incremental costs and incremental revenues may hurt profitability.

**People:**

Many services depend on direct, personal interaction between customers and a firm's employees (such as getting a haircut or eating at a restaurant). The nature of these interactions strongly influences the customer's perceptions of service quality. Customers will often judge the quality of the service they receive based on their assessment of the people providing that service. They may also make judgments about other customers they encounter. Successful service firms devote significant effort to recruiting, training and motivating their personnel. Firms often seek to manage customer behavior too.

**Promotion and education:**

No marketing programme can succeed without effective communications; this component plays three vital roles: providing needed information and advice, persuading target customers of the merits of a specific product, and encouraging them to take action at specific times. In services marketing, much communication is educational in nature, especially for new customers. Companies may need to teach these customers about the benefits of the service, as well as where and when to obtain it, and provide instructions on how to participate in service processes. Communications can be delivered by individuals, such as salespeople and trainers, or through such media as TV, radio, newspapers, magazines, poster, brochures, and Web sites. Promotional activities may serve to marshal arguments in favor of selecting a particular brand or use incentives to catch customers' attention and motivate them to act.

**Physical Evidence:**

The appearance of buildings, landscaping, vehicles, interior furnishing, equipment, staff members, printed materials, and other visible clues all provide tangible evidence of a firm's service quality. Service firms need to manage physical evidence carefully, because it can have a profound impact on customers' impressions. In services with few tangible elements, such as insurance, advertising is often employed to create meaningful symbols.

**Price and other User Costs:**

This component addresses management of the expenditures and other outlays incurred by customers in obtaining benefits from the service product. Responsibilities are not limited to the traditional pricing tasks of establishing the selling price to customers, they also include seeking to minimize other burdens that customers may bear in purchasing and using a service, including time, mental and physical effort, and unpleasant sensory experiences, such as noises and smells.

**Services Sector contribution to the Indian Economy**

The Services Sector contributes the most to the Indian GDP. The Sector of Services in India has the biggest share in the country's GDP for it accounted for around 53.8% in 2005. The contribution of the Services Sector in Indian GDP has increased a lot in the last few years. The Services Sector contributed only 15% to the Indian GDP in 1950. Further the Indian Services Sector's share in the country's GDP has increased from 43.695% in 1990-1991 to around 51.16% in 1998- 1999. This shows that the Services Sector in India accounts for over half of the country's GDP. India’s share in worldwide service exports is expected to almost triple itself from current the 2.3 % to 6 % by 2012, if the present annual growth rate of 28% has been maintained. India’s global exports of commercial services during the last 10 years can be seen from the table below –

## 1.7 INDIA’S GLOBAL TRADE OF COMMERCIAL SERVICES

***US $ (Billion)***

| Years | Exports |
|---|---|
| 1997 | 8.9 |
| 1998 | 11.0 |
| 1999 | 14.0 |
| 2000 | 16.0 |
| 2001 | 16.8 |
| 2002 | 19.1 |
| 2003 | 23.1 |
| 2004 | 38.5 |

| | |
|---|---|
| 2005 | 68.0 |
| 2006<br>2007<br>2008 | 73.0<br>86.0<br>106.0 |

**Source: WTO**

Strong and consistent emphasis on self-reliance in its economic development programmes over the years by the Government of India has enabled India to build up a huge and versatile cadre of professionals with expertise and skills across a vast and wide-ranging spectrum of disciplines like Health Care, Tourism, Education, Engineering, Communications, Transportation, Information Technology, Banking, Finance, Management and a host of others. A sizeable part of this workforce of professionals makes up the country’s growing consultancy sector which is offering its accumulated experience and expertise at home and abroad.

## 1.8 SERVICES SECTOR IN INDIA

India ranks fifteenth in the services output and it provides employment to around 23% of the total workforce in the country. The various sectors under the Services Sector in India are construction, trade, hotels, transport, restaurant, communication and storage, social and personal services, community, insurance, financing, business services, and real estate.

**The Reasons for the growth of the Services Sector contribution to the Indian GDP**

The contribution of the Services Sector has increased very rapidly in the Indian GDP for many foreign consumers have shown interest in the country's service exports. This is due to the fact that India has a large pool of highly skilled, low cost, and educated workers in the country. This has ensured sure that the services that are available in the country are of the best quality. The foreign companies seeing this have started outsourcing their work to India especially in the area of business services which includes business process outsourcing and information technology services. This has given a major boost to the Services Sector in India, which, in its turn has made the sector contribute more to the Indian GDP.

**The Services Sector in India must be given a boost**

The Services Sector Growth Rate in Indian GDP registered a significant growth over the past few years. The Indian government must take steps in order to ensure that the Services Sector Growth Rate in Indian GDP continues to rise or this will ensure the growth and prosperity of the country's economy.

India's economy is the eleventh largest in the world by nominal GDP and the fourth largest by purchasing power parity (PPP). The country's per capita GDP (PPP) was $3,176 (IMF, 127th) in 2009. Following strong economic reforms from the socialist inspired economy of a post-independence Indian nation, the country began to develop a fast-paced economic growth, as free market principles were initiated in 1990 for international competition and foreign investment. Economists predict that by 2020, India will be among the leading economies of the world.

India was under social democratic-based policies from 1947 to 1991. The economy was characterized by extensive regulation, protectionism, public ownership, pervasive corruption and slow growth. Since 1991, continuing economic liberalization has moved the country toward a market-based economy. A revival of economic reforms and better economic policy in the first decade of the 21st century accelerated India's economic growth rate. In recent years, Indian cities have continued to liberalize business regulations. By 2008, India had established itself as the world's second-fastest growing major economy. However, as a result of the financial crisis of 2007–2010, coupled with a poor monsoon, India's gross domestic product (GDP) growth rate significantly slowed to 6.7 percent in 2008-09, but subsequently recovered to 7.2% in 2009-10, while the fiscal deficit rose from 5.9% to a high 6.5% during the same period. India ranks 51$^{st}$ in the Global Competitiveness Report. The country has major stock and commodities exchanges like BSE, NSE, USE and a few other exchanges as well.

India's large service industry accounts for 57.2% of the country's GDP while the industrial and agricultural sector contribute 28% and 14.6% respectively. Agriculture is the predominant occupation in India, accounting for about 52% of employment. The service sector makes up a further 34%, and industrial sector around 14%. The labour force totals half a billion workers. Major agricultural products include rice, wheat, oilseed, cotton, jute, tea, sugarcane, potatoes, cattle, water buffalo, sheep, goats, poultry and fish. Major industries include telecommunications, textiles, chemicals, food processing, steel, transportation equipment, cement, mining, petroleum, machinery, information technology enabled services and pharmaceuticals.

Previously a closed economy, India's trade has grown fast. India currently accounts for 1.5% of world trade as of 2007 according to the WTO. According to the World Trade Statistics of the WTO in 2006, India's total merchandise trade (counting exports and imports) was valued at $294 billion in 2006 and India's services trade inclusive of export and import was $143 billion. Thus, India's global economic engagement in 2006 covering both merchandise and services trade was of the order of $437 billion, up by a record 72% from a level of $253 billion in 2004. India's trade has reached a still relatively moderate share of 24% of GDP in 2006, up from 6% in 1985.

## 1.9 SUMMARY

The Service sector is the lifeline for the social economic growth of a country. It is today the largest and fastest growing sector globally contributing more to the global output and employing more people than any other sector. In alignment with the global trends, the Indian service sector has witnessed a major boom and is one of the major contributors to both employment and national income in recent times.

## 1.10 QUESTIONS

1. Define service and explain its characteristics.
2. How does service differ from product? Make a comparative analysis.
3. Explain the various basis of classification of services.
4. What is the scope of services?
5. Explain the importance of Services.
6. Explain the importance of Services in Indian context.
7. Write short notes:
   a. Scope of services
   b. Difference between product and services

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# Unit-2

# MARKETING MIX

**Unit Structure :**



## 2.0 OBJECTIVES

After studying the unit students will be able to:

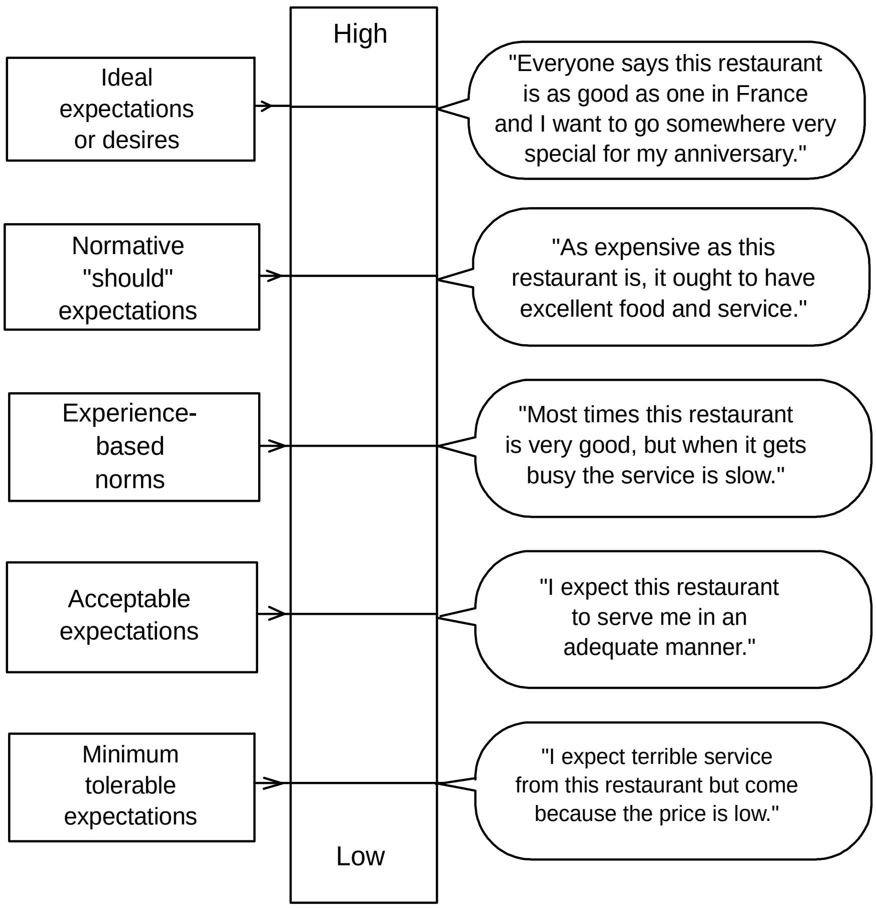
- Understand the concept Customer Expectations of services.
- Know the meaning and types of service expectations.
- Explain the elements of marketing mix.

## 2.1 INTRODUCTION

Customer expectations are beliefs about service delivery that function as standards or reference points against which performance is judged. Because customers compare their perceptions of performance with these reference points when evaluating service quality, thorough knowledge about customer expectations is critical to services marketers. Knowing what the customer expects is the first and possibly most critical step in delivering quality service. Being wrong about what customers want can mean losing a customer's business when another company hits the target exactly. Being wrong can also mean expending money, time, and other resources on things that don't count to the customer. Being wrong can even mean not surviving in a fiercely competitive market.

Among the aspects of expectations that need to be explored and understood for successful services marketing are the following: What types of expectation standards do customers hold about services? What factors most influence the formation of these expectations? What role do these factors play in changing expectations? How can a service company meet or exceed customer expectations?

**FIGURE -** Possible Levels of Customer Expectations




## 2.2 MEANING AND TYPES OF SERVICE EXPECTATIONS

To say that expectations are reference points against which service delivery is compared is only a beginning. The level of expectation can vary widely depending on the reference point the customer holds. Although almost everyone has an intuitive sense of what expectations are, service marketers need a far more thorough and clear definition of expectations in order to comprehend, measure, and manage them.

Let's imagine that you are planning to go to a restaurant. The Figure shown above, a continuum along which different possible types of service expectations can be arrayed from low to high. On the left of the continuum are different types or levels of expectations, ranging from high (top) to low (bottom). At each point we give a name to the type of expectation and illustrate what it might mean in terms of a restaurant you are considering. Note how important the expectation you held will be to your eventual assessment of the restaurant's performance. Suppose you went into the restaurant for which you held the minimum tolerable expectation, paid very little money, and were served immediately with good food. Next suppose that you went to a restaurant for which you had the highest (ideal) expectations, paid a lot of money, and were served good (but not fantastic) food. Which restaurant experience would you judge to be best? The answer is likely to depend a great deal on the reference point that you brought to the experience.

Because the idea of customer expectations is so critical to evaluation of service.

## 2.3 SERVICES AND THE MARKETING MIX

The increased attention to the application of marketing in the service sector has brought into question what the key components or elements of a marketing mix for service are or what they should be. If the elements chosen to develop a marketing mix for a service are not comprehensive, it is likely that a service quality gap will occur between the market requirements and the firm’s marketing offer.

It is therefore appropriate to reconsider the traditional marketing mix in the context of service. The 4Ps of the marketing mix are derived from a much longer list developed from the Harvard Business School in the 1960s. The original list consisted of twelve elements, including product plan, pricing, branding, channels of distribution, personal selling, advertising, promotions, packaging, display, servicing, physical handling, fact finding and analysis. Over time, the marketing mix concept gained considerable acceptance and the 4Ps were adopted to capture the key elements.

However, it has been argued that simplifying the original list offers a seductive sense of simplicity which may lead to neglect of some key relevant elements. As a result many authors have added to the basic 4Ps framework. Lists of additional marketing mix elements have been added which extend the 4Ps framework to five, seven and eleven key elements which should be considered in the marketing mix. Several authors have argued that a different marketing mix is needed for services. Some writers have suggested specific marketing mix elements for service industries like banking and airlines, whilst others have suggested different elements for professional service.

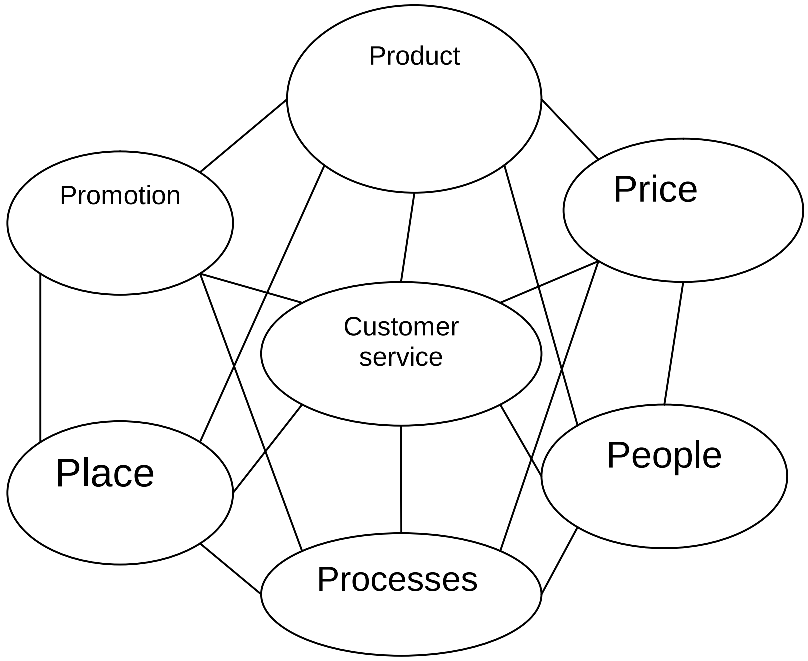
Our view of the Marketing mix accords closely with that of a colleague, Simon Majaro, who argues that three factors determine whether or not a specific element should be included in a firm's marketing mix. These include the following.

- **The level of expenditure** on a given ingredient in the marketing mix, i.e. how important that element is in the firm's overall expenditure.

- **The perceived level of elasticity** in customer responsiveness; for example, in the case of a monopoly or government body, prices may be set externally and thus need not be included in the marketing mix.

- **Allocation of responsibilities** is based on the belief that a well defined and well structured marketing mix needs a clear cut allocation of responsibilities.

We consider the 4Ps model unnecessarily restrictive; an expanded marketing mix is more appropriate. At the same time we should recognize the diversity of the services economy, which includes both services firms as well as manufacturing firms to whom services are important. We advocate the expanded marketing mix shown in the figure below. This reflects the traditional elements of the marketing mix – product, price, promotion and place, plus three additional elements – people, processes and the provision of customer service. We regard this as a framework particularly appropriate for service, but also relevant for non – service industries, given the importance of the service dimension in most manufacturing companies.




## 2.4 MARKETING MIX ELEMENTS:

The marketing mix concept is a well established tool used as a structure by marketers. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the company's markets. The discipline of considering the integration of the elements of the marketing mix, as well as the individual various elements, helps to ensure that there is consistency within the marketing strategy as a whole.

Traditionally, most marketers have considered four basic components or elements of a marketing mix; product, price, promotion and place, however, within services marketing, as explained earlier, it is useful to extend this list to include other key ingredients. A consideration of each element of marketing mix and how they fit together forms the basis of marketing programme.

Having outlined the element of marketing mix for services we will now consider each of them in more detail. The underlying concept in developing each of these elements is to use them to support each other, to reinforce the positioning of the product and to deliver appropriate service quality to achieve competitive advantage.

**Product**

In discussing products and services there is often confusion over terminology, so it may be useful to repeat a point made earlier. A product is an overall concept of objects or processes which provide some value to the consumer; goods and services are subcategories which describe two types of products. Thus the term 'product' is frequently used in a broad sense to denote either a manufactured good or product, and a service.

In fact customers are not buying goods or services- they are really buying specific benefits from the total offering. We term this total offering to customers as 'the offer'; it represents those benefits that customers derive from the purchase of goods or services. Most services (or goods) are not pure; thus the use of the term 'the offer' or 'the offering' can avoid some of the problems of semantics. In practice, in different service industries, the terms, product, service product are all used. Even within the same service organization, such terms may be used interchangeably.

- The core or generic product: This consists of the basic service product, e.g. a bed in a hotel room for the night.

- The expected product: This consists of the generic product together with the minimal purchase conditions which need to be met. When customers buy an airline ticket they expect, in addition to a seat on the aeroplane, a range of additional elements, including comfort clean lavatories and arrival on time.

- The augmented product: This is the area which enables one product to be differentiated from another. For example, IBM has a reputation for excellent customer service although they may not have the most technologically advanced core product. They differentiate by adding value to their core product in terms of reliability and responsiveness.

- The potential product: This consists of all potential added features and benefits that are or may be of utility to buyers. It includes the potential for redefinition of the product to take advantage of new users and the extension of existing applications. This could involve building in switching costs which can make it difficult or expensive for customers to switch from their existing service provider.

Thus a service product is a complex set of value satisfactions. People buy services to solve problems and they attach value to them in proportion to the perceived ability of the service to do this.

**Price**

Price plays a pivotal part in the marketing mix of a service because pricing attracts revenues to the business. Pricing decisions are significant in determining the value for the customer and play a role in the building of an image for the service. Price also gives a perception of quality. Pricing decisions are often made by adding a percentage mark up on cost. This approach, however, loses the benefits which a pricing strategy can offer within the marketing strategy. Service firms, at least within deregulated markets need to use pricing more strategically to help gain competitive advantage.

Pricing decisions have an impact on all parts on all parts of the supply / marketing channels. Suppliers, sales people, distributors, competitors and customers, all are affected by the pricing system. Further pricing affects buyers' perceptions of the service offered. For example, a hotel chain servicing the tourist package holiday market will offer cheap prices and its customers will have a lower expectation of service quality a for a premium priced hotel.

Pricing decisions for services are particularly important given the intangible nature of the product. The price charged for a service signals to customers the quality of the service that they are likely to receive. Thus, a restaurant that places its menu on its window for prospective customers to view is giving customers information about what they can expect in terms of quality of food and service levels as well as cost.

**Place**

The location and channels used to supply services to target customers are two key decision areas. Location and channels decisions involve considering how to deliver the service to the customer and where this should take place. This has particular relevance to services as very often they cannot be stored and will be produced and consumed at the same point. 'Place' also has importance as the environment in which the service is delivered, and how it is delivered are part of the perceived value and benefits of the service.

Service marketers should seek to develop appropriate service delivery approaches that yield competitive advantage for their firms.

- Location is concerned with the decisions a firm makes about where its operations and staff are situated. The importance of location for a service depends upon the type and degree of interaction involved.

When the customer has to go to the service provider, site location becomes very important. For a service business such as a restaurant, location may be one of the main reasons for patronage. In this type of interaction, service providers seeking growth can consider offering their services at more than one location.

- Sellers’ and buyers’ agents or brokers, e.g. stockbrokers and affinity groups.
- Franchises and contracted service deliverers, e.g. fast food, car service and dry cleaning.

The choice of both distribution and channels for services largely depends on the particular requirements of the market and the nature of the service itself. Technology has in some instances, changed the advantage to be gained by proximity of a service to the customer market. For example, electronic banking has removed some of the need for banks to be located on high streets and also the requirement for long opening hours to deliver their services. Many banking transactions can now be performed easily without personal contact. Technology has allowed changes in the location decision in many service industries, but the decision on where and how to distribute services is often still dependent on the needs of the customers.

Some services are required in clusters of associated services and products and so proximity to other service offerings can play a major role. This is particularly the case in services for businesses where provision of a fast and integrated service requires not only proximity to the client but also access to other business services. This applies to some communications and business agencies.

Service delivery channels are often the service providers. This highlights the importance of the selection of the appropriate delivery channel. If a franchised delivery system is chosen, then the choice of franchisee is of great importance to ensure the quality of the service. Stringent requirements are therefore often applied to franchisees to maintain the standard of service. Training of service deliverers is thus vital to provide consistency of quality. This poses a particular problem to those services where service providers may have relatively low qualifications and may not remain in one job for long (e.g. the hotel and catering trade.)

**Promotion**

The promotion element of the services marketing mix forms a vital role in helping to communicate the positioning of the service to customers and other key relationship markets. Promotion adds significance to services; it can also add tangibility and help the customer make a better evaluation of the service offer.

The promotion of services encompasses a number of major areas. These areas known as the communications mix or promotions mix, include the following elements:

- Advertising
- Personal selling
- Sales promotion
- Public relations
- Word of mouth.
- Direct mail.

The choice of the communications mix for service involves decisions on such issues as whether to advertise, use personal selling or numerate publicity through greater public awareness by such means as through editorials, publication and press activity. The choice of medium is determined by decisions on how to create the most favorable awareness amongst the target audience.

## 2.5 SUMMARY

Marketing is a process of perceiving, understanding, stimulating and satisfying the needs of specially selected target markets by channeling an organization’s resources to meet those needs. Marketing is thus a process of matching an organization’s resources to the needs of the market. Marketing is concerned with the dynamic interrelationships between a company’s products and services, the consumers’ wants and needs, and the activities of competitors. The marketing mix concept is a well established tool used as a structure by marketers. It consists of the various elements of a marketing programme which need to be considered in order to successfully implement the marketing strategy and positioning in the company's markets. The discipline of considering the integration of the elements of the marketing mix, as well as the individual various elements, helps to ensure that there is consistency within the marketing strategy as a whole.

## 2.6 QUESTIONS:

1. Explain the various consumer expectations about services.
2. Explain briefly the finding of Accentor on importance of Service in determining consumer's buying decision.
3. Explain the marketing mix for services.
4. Write short note on:
   a) Place element in service
   b) Physical element in services
   c) Promotion of services
   d) Pricing of services
   e) Consumer expectation of services

**5. State whether following statement are True of False.**

a Service quality is not a reason why consumers leave a provider or choose a new one.

b. To create a better customer experience tangible elements are also delivered with the service.

c. The corporate image of service provider does not influence pricing.

d. Promotion element does not have any impact on customer loyalty.

e. Place and time does not play any importance in service mix.

6. FILL IN THE BLANKS

a. A ______________ approach enables companies to understand their customers more deeply.

b. The product in service marketing is _________ in nature.

c. In India service sector contribute about_________% of GDP.

d. ____________ is the primary level of service product.

e. In India, the service sectors contribute about _____________% of total employment in India.

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# Unit-3

## SERVICES STRATEGIES

**Unit Structure :**



## 3.0 OBJECTIVES

After studying the unit the students will be able to:

- Know the principles of service marketing.
- Understand service development cycle
- Explain the demand and supply management in service sector.
- Discuss about the opportunities in service sector
- Know the challenges to service sector.

## 3.1 INTRODUCTION

Service industries are facing the challenge of managing long term customer interactions at multiples service touch point. Through marketing research the challenge can be accepted by the service industries.

Marketing research is a systematic approach to solve marketing problems. The American Marketing Association define marketing research "The systematic gathering, recording and analyzing of data about problems relating to marketing of goods and services."

## 3.2 PRINCIPLES OF SERVICE MARKETING

When we observe the process of selling a service we realize how difficult it is to sell a service and how scary it is to buy one. Apart from the differences in characteristics between products and sales another difference is in the after sale experience.

**1. Focus on the service itself.** The service companies spend too much on promotion or spreading the word and do not concentrate on their primary focus, the services. The importance of promotion shouldn't be ignored but most of the times it is either done too quickly or the effort on promotion exceeds the attempts made to improve the service. If the focus is primarily on constant improvement on service then promotion a marketing efforts are cheaper, easier and effective.

**2. Facing the reality.** To assume that our service is bad rather than good drives us to continually improve our services. Most of the service industries are not aware of their service problems or they are under the illusion that their service quality is good.

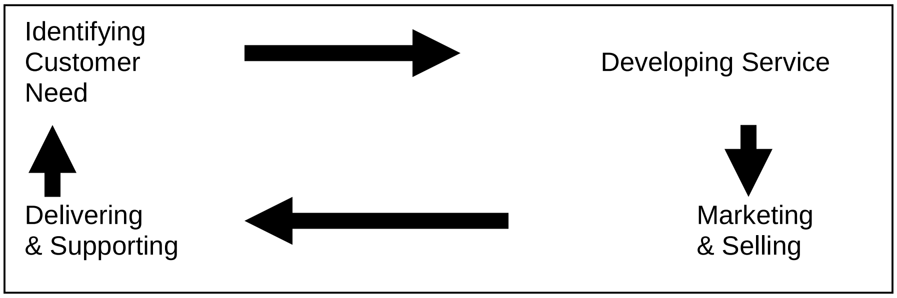
Typically most of the small industries and mid-sized ones are finding it difficult to maintain the adequate level off service.

**3. Selling a service is like selling a relationship.** When we are selling a service we are not only selling our expertise. This is so as the client does not always have the expertise to evaluate our expertise. Instead we should focus on selling a-relationship because that is the only way it works. When we are selling a service we are selling a relationship.

**4. Focus on Innovation.** The service industry not only needs to deliver what the customer needs or wants but also what he would love to have. Very few service industries reach the stage of innovation. In this stage the industry creates something which its customers have not thought could even exist.

## 3.3 SERVICE DEVELOPMENT LIFE CYCLE

**The diagram identifies the four phases of the service Development Lifecycle:**




**Service Development Lifecycle**

**1. Identifying customer needs:**

The starting point is the market research phase of Identifying the Customer Pain Point. During this phase the customer's pain points and requirements are captured.

**2. Developing service**

The next phase, developing the Service, takes these needs and tries to convert them into a set of service components that form the heart and soul of the customer engagement.

**3. Marketing and selling**

The third phase, Marketing and Selling, develops the customer-facing portfolio used to communicate and sell the service product to a customer. Once the service is purchased by a customer,

**4. Delivering and supporting**

The fourth phase, Delivering and Supporting, is used to implement the service. Insight gained during this implementation phase is used as input into the identification of new customer pain points, leading to the development of additional services.

## 3.4 DEMAND AND SUPPLY MANAGEMENT IN SERVICES

The fundamental issue underlying supply and demand management in services is the lack of inventory capability. Unlike manufacturing firms, service firms cannot build up inventories during periods of slow demand to use later when demand increases. This lack of inventory capability is due to the

Perishability of services and their simultaneous production and consumption. An airline seat that is not sold on a given flight cannot be resold the following day: the productive capacity of that seat has perished. Similarly, an hour of a lawyer's billable time cannot be saved from one day to the next. Services also cannot be transported from one place to another or transferred from person to person. Thus the Ritz-Carlton's services cannot be moved to an alternative location in the summer months—say, to the Pacific Coast where summers are ideal for tourists and demand for hotel rooms is high.

The lack of inventory capability combined with fluctuating demand leads to a variety of potential outcomes, as illustrated in the Figure below. The horizontal lines in the Figure below indicate service capacity, and the curved line indicates customer demand for the service. In many services, capacity is fixed; thus capacity can be designated by a flat horizontal line over a certain time period. Demand for service frequently fluctuates, however, as indicated by the curved line. The topmost horizontal line in the Figure below represents maximum capacity. For example, in our opening vignette, the horizontal line would represent the Ritz-Carlton's 281 rooms, or it could represent the approximately 70,000 seats in a large university football stadium. The rooms and the seats remain constant while demand for them fluctuates. The band between the second and third horizontal lines represents optimum capacity—-the best use of the capacity from the perspective of both customers and the company (optimal versus maximal capacity utilization is discussed later in the chapter). The areas in the middle of the Figure below are labeled to represent four basic scenarios that can result from different combinations of capacity and demand:

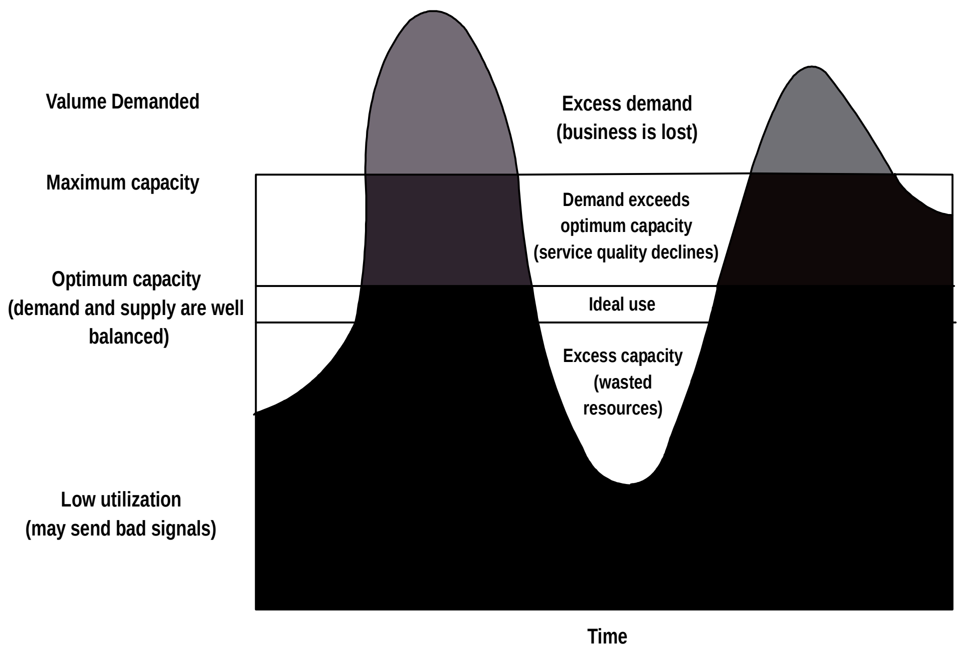
1. **Excess demand**. The level of demand exceeds maximum capacity. In this situation some customers will be turned away, resulting in lost business opportunities. For the customers who do receive the service, its quality may not match what was promised because of crowding or overtaxing of staff and facilities.

2. **Demand exceeds optimum capacity**. No one is being turned away, but the quality of service may still suffer because of overuse, crowding, or staff being pushed beyond their abilities to deliver consistent quality.

3. **Demand and supply are balanced at the level of optimum capacity***.* Staff and facilities are occupied at an ideal level. No one is overworked, facilities can be maintained, and customers are receiving quality service without undesirable delays.

4. **Excess capacity***.* Demand is below optimum capacity. Productive resources in the form of labor, equipment, and facilities are underutilized, resulting in lost productivity and lower profits. Customers may receive excellent quality on an individual level because they have the full use of the facilities, no waiting, and complete attention from the staff. If, however, service quality depends on the presence of other customers, customers may be disappointed or may worry that they have chosen an inferior service provider.

**FIGURE - Variations in Demand Relative to Capacity**




Not all firms will be challenged equally in terms of managing supply and demand. The seriousness of the problem will depend on the *extent of demand fluctuations over time,* and the *extent to which supply is constrained*. Some types of organizations will experience wide fluctuations in demand (telecommunications, hospitals, transportation, restaurants), whereas others will have narrower fluctuations (insurance, laundry, banking). For some, peak demand can usually be met even when demand fluctuates (electricity, telephone), but for others peak demand may frequently exceed capacity (hospital emergency rooms, restaurants, hotels). Those firms with wide variations in demand (cells 1 and 4 in the Table below), and particularly those with wide fluctuations and demand that regularly exceeds capacity (cell 4), will find the issues and strategies in this chapter particularly important to their success. Those firms that find themselves in cell 3 need a "one-time-fix" to expand their capacity to match regular patterns of excessive demand. The example industries in Table below are provided to illustrate where *most* firms in those industries would likely be classified. In reality, an individual firm from any industry could find itself in any of the four cells, depending on its immediate circumstances.

To identify effective strategies for managing supply and demand fluctuations, an organization needs a clear understanding of the constraints on its capacity and the underlying demand patterns.

**TABLE - Demand versus Supply**

| Extent to Which Supply Is Constrained | Extent of Demand Fl | Actuations over Time |
|---|---|---|
| | Wide | Narrow |
| | 1 | 2 |
| Peak demand can usually be met without a major delay. | Electricity, Natural gas, Telephone, Hospital maternity unit, Police and fire emergencies | Insurance, Legal services, Banking, Laundry and dry cleaning |
| | 4 | 3 |
| Peak demand regularly exceeds capacity. | Accounting and tax preparation, Passenger transportation, Hotels Restaurants, Hospital emergency rooms | Services similar to those in 2 that have insufficient capacity for their base level *of* business |

## 3.5 UNDERSTANDING CAPACITY CONSTRAINTS

As we see later in the chapter, there are some creative ways to expand and contract capacity in the short and long term, but at a given point in time we can assume service capacity is fixed. Depending on the type of service, critical fixed-capacity factors can be time, labor, equipment, facilities, or (in many cases) a combination of these.

**Time, Labor, Equipment, Facilities**

For some service businesses, the primary constraint on service production is *time.* For example, a lawyer, a consultant, a hairdresser, and a psychological counselor all primarily sell their time. If their time is not used productively, profits are lost. If there is excess demand, time cannot be created to satisfy it. From the point of view of the individual service provider, time is the constraint.

From the point of view of a firm that employs a large number of service providers, *labor* or staffing levels can be the primary capacity constraint. A law firm, a university department, a consulting firm, a tax accounting firm, and a repair and maintenance contractor may all face the reality that at certain times demand for their organizations' services cannot be met because the staff is already operating at peak capacity, However, it doesn't always make sense (nor may it be possible in a competitive labor market) to hire additional service providers if low demand is a reality at other times.

In other cases, *equipment* may be the critical constraint. For trucking or air-freight delivery services, the trucks or airplanes needed to service demand may be the capacity limitation. During the Christmas holidays, UPS, Federal Express, and other delivery service providers face this issue. Health clubs also deal with this limitation, particularly at certain times of the day (before work, during lunch hours, after work) and in certain months of the year. Telecommunications companies face equipment constraints when everyone wants to communicate during prime hours on holidays. For network service providers, bandwidth, servers, and switches represent their perishable capacity.

Finally, many firms face restrictions brought about by their *limited facilities.* Hotels have only a certain number of rooms to sell, airlines are limited by the number of seats on the aircraft, educational institutions are constrained by the number of rooms and the number of seats in each classroom, and restaurant capacity is restricted to the number of tables and seats available.

**TABLE - Constraints on Capacity**

| Nature of the Constraint | Type of Service |
|---|---|
| Time | Legal Consulting, Accounting, Medical |
| Labor | Law firm, Accounting firm, Consulting firm, Health Clinic |
| Equipment | Delivery services, Telecommunications, Network services, Utilities, Health club |
| Facilities | Hotels, Restaurants, Hospitals, Airlines, Schools, Theaters, Churches |

Understanding the primary capacity constraint, or the combination of factors that restricts capacity, is a first step in designing strategies to deal with supply and demand issues.

## 3.6 OPPORTUNITIES IN THE SERVICE SECTOR

The services sector contributes significantly to the growth of the economy. It provides employment, generates foreign exchange and contributes to the GDP of a nation. In India and in several other countries the services sector offers great opportunities, which are due to the following reasons:

**1. Liberalization of Policy:** The Industrial Policy of 1991 has liberalized the Indian economy, including the services sector. The services sector is opened up to the private sector. For example, the banking, insurance, telecommunications, airlines, etc., have been privatized. Prior to 1991, these sectors were the monopoly of public sector. Due to privatization, there is good competition between the private sector and the public sector. The Competition has improved efficiency of the firms. Therefore, liberalization of the Indian economy has opened up opportunities for private parties in the services sector.

**2. Fast Growth in the Services Sector:** The services sector is growing at a fester rate as compared to primary and the secondary sector. The growth in services sector provides good opportunities to the existing firms and to those who want to enter into the services sector. Currently the services growth rate is about 10% despite economic slowdown in the world.

India is the second fastest emerging country in the services growth, behind China. In some of the services sectors, the growth is very high. For instance, at present, the overall growth in the IT services is over 20% per year.

**3. Increase in Earning Capacity:** There is huge potential for growth in the services sector due to increase in disposable income, increasing urbanization, and growing middle class.

According to one study, India's middle class would increase to 267 million by 2015, and over 580 million by 2025, and further to 600+ million by 2030.

India's middle class is likely to overtake US, China and Europe in terms of consumption in the years to come. A study by H. Kharas - (The Emerging Middle Class in Developing Countries) indicates that by 2020 India is likely to get the third rank for consumption behind China, and USA and by 2030; India is likely to be the number 1 in terms of total consumption, followed by China and USA.

The study by H. Kharas indicates that by 2020 India would have 11% (US $3733 billion) of the global share in terms of consumption, and by 2030 India's share in global consumption would increase to 23% (US $ 12777 billion).

**4. Foreign Direct Investment:** The service sector is likely to gain considerably due to FDI inflows, which gives good opportunities for professionals to enter into the services sector.

The Government has allowed FDI even upto 100% in certain sectors. For instance, sectors like exports, consultancy, advertising, tourism, etc., FDI is allowed upto 100%. In sectors like private banking and telecom, FDI is allowed upto 74%. FDI brings certain benefits to Indian partners such as:

**5. Increase in Export Earnings:** The services export sector provides good opportunities for entrepreneurs. This is because the services export sector is witnessing tremendous growth despite global slowdown in 2008- 09 and 2011-12.

The services export sector contributes about 35% of the total exports of India. For instance, in 2010-11 the merchandise exports were US $ 250 billion and services exports were US $ 133 billion. The services exports are growing at the rate of about 20% per year. Among the services exports, the software exports accounted for over 40% of the total services exports followed by business services, travel and transportation.

**6. Population Growth:** India is fastest growing in terms of population. At present, India is second largest in population terms after China. India is likely to take world Number 1 position in population by 2030. The growth in India's population would be a great opportunity for certain service sectors such as education, insurance, banking, retail and so on.

**7. Free Trade Agreements:** India is looking forward to conclude a pact with ASEAN nations for opening up trade in services and liberalization of investment norms in the near future. India has already signed FTA with ASEAN nations in the goods sector in 2009 and came into force since 2010.

The India-ASEAN free trade agreement in services will open up a host of business opportunities and projects, especially in construction for Indian business firms. Construction of bridges, canals, roads, water-treatment plants, construction of buildings would provide a good opportunity for Indian firms in the 10 ASEAN member nations (Malaysia, Philippines, Indonesia, Thailand, Singapore, Brunei, Laos, Cambodia, Vietnam, and Myanmar). Indian entrepreneurs in the telecom, consultancy, accounting, health, etc., would also get opportunity once the free trade agreement is finalized in the near future.

India is also in negotiations to sign free trade agreements in goods and services with European Union (27 nations) and also with Australia. Once, the free trade agreements are finalized and come into operation, Indian entrepreneurs would have good opportunities in such countries.

**8. Growing Professionalism:** India is growing pool of competent professionals. Various management institutes are grooming up professionals in the field of banking, insurance, hospitality, logistics, media, and so on. The availability of competent professional has a strong effect on the growth of services sector in India. Therefore, Indian entrepreneurs would have good opportunities in the service sector in the years to come.

## 3.7 CHALLENGES IN THE SERVICE SECTOR

The services sector is facing a number of challenges mainly on account the unique characteristics. Some of the challenges are as follows:

**1. Intangibility:** The intangibility characteristic of services creates certain challenges such as:

- Demonstration of services is difficult.
- Pre-purchase evaluation is not possible.

**2. Inseparability:** Services cannot be easily separated from the service provider. This characteristic of services creates certain problems such as:

- Restricts geographical reach.
- Physical presence of the customer and service provider is essential.

**3. Inconsistency:** Service performance may vary from one person to another within the same organization. This Characteristic of services creates certain problems such as lack of standardization and quality control.

**4. Perishability:** Services are highly perishable. Therefore, there is a mismatch between demand and supply. This characteristic of services poses certain challenges such as - Services cannot be kept in inventory.

**5. Managing High Demand:** At times, a service firm may get very high demand, especially during the peak timings. Therefore, there is need to manage demand and capacity.

**6. Customer Retention:** Service providers face the challenges of customer retention. Customers may switch over to the competitors. Therefore, a service firm needs to undertake customer satisfaction surveys, and make changes in marketing mix, including introduction of new and innovative services.

**7. Managing Workforce Diversity:** Diversity among employees is an asset because it brings to the organization a range of skills and talents. At the same time, individual differences pose a challenge to managers. Managers must be sensitive to individual differences and manage them effectively.

**8. Employees' Retention:** Nowadays, there is growing attrition among service sector employees, especially in software, advertising, consultancy, media, etc. Certain amount of employee turnover is good for the organization because it gives chances to talented outsiders to join the organization. However, frequent employee turnover is bad for the organization as it increases selection and training costs, and it also affects the performance of employees. Therefore, the service providers need to introduce certain measures to overcome the problem of employee retention.

## 3.8 SUMMARY

We have learned in this unit the various principles of service marketing. Cycles from which the development of service has gone through. How the management of demand and supply of service is done. We understood the capacity constraints of service. We have learned about the various opportunities as well as challenges faced by the participants of the service sector.

## 3.9 QUESTIONS

1. What are the various principles of Service Marketing?
2. Explain the service development cycle in detail.
3. How should demand and capacity in service industry by managed?
4. Define marketing research. Explain the role of marketing research in service marketing.
5. Explain the various opportunities in the service sector.
6. What are the challenges in the Service sector?
7. Explain the various challenges of service sector in India.
8. State whether following statement are True of False.

a. The starting point is the market research phase of Identifying the Customer Pain Point.

b. Balancing the supply and demand sides of a service industry is easy

c. Service providers needs to conduct marketing research.

d. Since service cannot be transported, the consumer must be brought to the service delivery system or the system to the consumer

e. Generally, a firm collects marketing research data from secondary data.

f. Generally services are produced and consumed separately. g. Idea generation is an important step in service development cycle.

h. At the pre launch period, the service marketer can conduct satisfaction surveys.

9. FILL IN THE BLANKS

a. The identification of the customer_________ _________can involves the use of formal and informal market research methods.

b. The service marketers face the challenges of _____________.

c. Generally, a company collects data from_____________.

d. The second phase of the Service Development Lifecycle is developing the __________ __________.

e. Services are direct; they cannot be__________.

f. The problem of inseparability of services requires __________ of the customers.

g. There is a high degree of __________ interaction in the production of service.

h. Customers satisfaction surveys help to retain____________.

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# Unit-4

## INTRODUCTION TO RETAILING

**Unit Structure :**



## 4.0 OBJECTIVES

After studying the unit students will be able to:

- Understand the concepts Organized and Unorganized Retailing.
- Know the trends in relating.
- Explain the growth of organized retailing in India.
- Elaborate the reasons for slow growth of organized retailing in India.
- Explain the survival strategies for unorganized retailers.

## 4.1 INTRODUCTION

Retailing in India is one of the pillars of its economy and accounts for 14 to 15 percent 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, Carrefour 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.

In June 2012, IKEA announced it has applied for permission to invest $1.9 billion in India and set up 25 retail stores. 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.

On 14 September 2012, the government of India announced the opening of FDI in multi-brand retail, subject to approvals by individual states. This decision has been welcomed by economists and the markets, however has caused protests and an upheaval in India's central government's political coalition structure. On 20 September 2012, the Government of India formally notified the FDI reforms for single and multi brand retail, thereby making it effective under Indian law.

On 7 December 2012, the Federal Government of India allowed 51% FDI in multi-brand retail in India. The Feds managed to get the approval of multi-brand retail in the parliament despite heavy uproar from the opposition. Some states will allow foreign supermarkets like Wal-Mart, Tesco and Carrefour to open while other states will not.

## 4.2 ORGANIZED AND UNORGANIZED RETAILING

### 4.2.1MEANING

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 corner shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

### 4.2.2 Distinguish between organized Retailing and Unorganized Retailing.

| | **Organized Retailing** | **Unorganized Retiling** |
|---|---|---|
| **1. Meaning** | Organized retiling refers to trading activates undertaken by licensed. | Unorganized retailing refers to the traditional formats of retail industry. |
| **2.Market Share** | Organized retailing is around 7% in India. | Unorganized retailing comprises around 93% of retail market. |
| **3. Dominated by** | Organized retailing is dominated by big retailers like malls, hyper markets, supermarkets etc. | Unorganized market is dominated by Mom and Pop Stores. Around 96% of retailers have ship area less than 500 square feet. |
| **4.Product Type** | They Mainly sell branded products. | They sell branded as well unbranded products. |
| **5. Investment** | Investment in organized retailing is huge. | Investment in unorganized retiling is less. |
| **6. Area** | Organized retailing is mainly in metro, tier II and tire III cities. | Unorganized retailing is spread throughout the country. |
| **7. Scientific** | Organized retailing involves scientific planning and execution. This ensures that the resources are utilized in an effective manner. | Unorganized retailing is unscientific in nature. Wastages can occur due to overstocking, stocking of non – saleable products etc. |

| | | |
|---|---|---|
| **8. Value** | Organized retailing tries to provide more value to the customers by bringing operational efficiencies. | Unorganized retailing is basically an effort to reach customer without much effort to add to the value to goods and to the customers. |

## 4.3 TRENDS IN RETAILING

**The trends in retailing are briefly stated as follows:**

**1. High Growth Rate:** According to the Global Retail Development Index (GRDI) 2012 of AT Kearney - India remains a high potential market with annual retail growth of 20 per cent expected over the next five years. The Indian retail industry is pegged at US$ 500 billion in 2012 and is expected to reach US$ 1.3 trillion by 2020.

The NCAER, study based on its Market Information Survey of Households (MISH), has projected Indian retail industry to grow to about US $ 590 billion by 2011-12 and further to over US $ 1 trillion by 2016-17

**2. Trends in Food and Grocery Business:** Food and grocery stores account for the largest share of retail (about 3/4th of total retail business). In 2007, nearly 99 per cent of food and grocery market is in the unorganized sector. But this may change in the next few years as it is estimated that food and grocery revenue in the organized retailing market would multiply five times, taking the organized shares of the market to 30 per cent.

**3. Share in GDP and Employment:** Retail is India's second largest sector after agriculture, accounting for over 15 percent of the country's GDP and around 6 to 8 percent of employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast growing industries with several players entering the market. Heavy investments in this sector are taking place with the entry of corporate giants like Tatas, Birlas, Ambanis (Reliance), Rahejas, and others. Therefore, the future is promising; the market is growing, government policies are becoming more favourable and emerging technologies are facilitating operations. As such the share of retail share in India's GDP and employment is likely to go up.

Retailing in India is gradually inching its way to becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping.

**4. Trends in FDI:** On 14th September 2012, the government of India announced the opening of FDI in multi brand retail, (upto 51%) subject to approvals by individual states.. This decision has been welcomed by economists and the markets. However, this decision has caused protests in India especially by the opposition parties. On 20th September 2012, the Government of India formally notified the FDI reforms for single brand (100%) and multi brand retail (51%), thereby making it effective under Indian law.

**5. Training to Retail Personnel:** Prior to 2000, there was hardly any emphasis on training in the retail sector. With the entry of organized retailers, emphasis is placed on training and development of retail personnel. The need for specialized skills is increasingly felt in the areas of:

- Strategic management - strategizing, targeting and positioning, marketing and site selection, among others
- Merchandise management - Vendor selection, inventory management, pricing and so on
- Store management - Layout, display, customer relationship, inventory management, etc.
- Administrative Management - Human resources, finance, marketing and so on

With the need for specialized skill set, retailing has become a specialized area of knowledge and training. A number of training institutes have been set up in India.

**6. Share of Organized Retail:** The share of organized retail is likely to go up from the current 7% to about 25% of the total retail business by 2020. This is due to the increasing investment in organized retail by corporate, favourable government policies towards organized retailing, and at the same time closing of traditional retail outlets, especially in metros.

Over the next few years, the share of the organized retail will go up mainly due to the following factors:

- Favourable government policies towards organized retailing.
- Consumer preference to shop in favourable environs of organized outlets.
- Increasing investment by the corporate in the retail sector.
- Availability of quality reality space in metros.

**7. Increased Interest by Overseas Retailers:** There is a growing interest of overseas retailers to set up retail outlets in India. For example:

- Wal-Mart has huge plans for retail business India. Wal-Mart, the world's largest retailer, and Bharti Enterprises have signed a Memorandum of Understanding (MoU) to explore business opportunities in the Indian retail industry.
- New York-based high-end fashion retailer Saks Fifth Avenue has tied up with realty major DLF Properties to set up shop in a mall in New Delhi.
- Tommy Hilfiger, retailer of apparels, has already set up stores in metros and planning for more such stores in the near future.

**8. Technology in Retailing:** There is a growing trend of the use of IT in retailing business. Computerization is increasingly used in almost all operations in the organized sector, such as billing, inventory management, accounting, and so on. It is technology that will help the organized retailer score over the unorganized players, giving both cost and service advantages.

## 4.4 GROWTH OF ORGANISED RETAILING IN INDIA

### 4.4.1 INTRODUCTION

Organized retail is expected to grow from 7% to 14-18 % of the total retail market by 2015, according to a McKinsey & Company report titled 'The Great Indian Bazaar: Organized Retail Comes of Age in India'.

The Retailer' report from Ernst & Young 2009 highlights that organized retail sector's penetration level is 85% in US, 80% in France, 66% in Japan, 20% in China and, merely 5-6% in India. This confirms that India is at an early stage of evolution in the organized retail space and has a huge growth potential.

Many big players are already here in India. For instance, hypermarkets like Spencer's and Big Bazaar, departmental stores like Shopper's Stop and Lifestyle and Supermarkets like Apna Bazaar and Food Bazaar have set up shops and are busy expanding.

### 4.4.2 FACTORS RESPONSIBLE FOR GROWTH OF ORGANIZED RETAILING IN INDIA

Some of the factors responsible for growth of organized retailing are:

**1. Rapidly growing middle class consumers**

In India, there is a rapid growth in the number of middle class consumers. These consumers seek value added products at decent prices and convenience in shopping. Modern retailers offer a wide range of products, good ambience, value added services etc. to such consumers. Hence they prefer to buy their requirements from modern retail outlets such as supermarkets, shopping malls, hypermarkets etc.

**2. Rising Incomes**

Over the past decade, India's middle and high income population has grown at a rapid pace of over 10% per annum. Such a growth has taken place not only in cities and towns but also in rural areas. As a result, there is an increase in the demand for better quality consumer goods.

**3. Media explosion**

There has been an explosion in media. Due to satellite television and Internet, Indian consumers are exposed to the lifestyles of more affluent countries. This has increased their aspiration levels and expectations. They now demand more choice, value for money, service and convenience.

**4. Increase in nuclear families**

Indian society is undergoing lots of changes. There is a rise in number of nuclear families, especially in urban areas., It is common to see the entire family going for shopping together. They look out for shopping places which have the right mix of shopping, eating joints and entertainment. Shopping malls provide all these facilities under one roof. Hence their popularity is increasing day by day.

**5. Increase in number of working women**

The urban women today are literate, professionally qualified and working. They have to maintain the right balance between home and work. Such consumers do not have much leisure time and want everything under one roof. Further they look for speed and efficiency. Modern retail outlets, which offer one-stop shopping, are therefore becoming popular.

**6. Value for money**

Organized retail outlets deal in volumes. As a result they are able to enjoy economies of scale in production and distribution. Further they eliminate wholesalers in the distribution process. As a result they can offer products at competitive rates. For instance, Big Bazaar, offers products at cheaper prices.

**7. Emerging rural market**

The rural market in India is fast emerging as a retail consumption area. The rural consumers are now more aware. The rural middle class is steadily increasing. Thus due to huge potential in rural retailing, organized retailers have developing new products and marketing strategies to serve rural consumers.

**8. Entry of the corporate sector**

Large business houses like the Tatas, ITC, RPG group, Reliance, the Piramals, the Birlas, Rahejas etc. have entered the retail sector in a big way. They are in a position to provide quality products at competitive rates, promotional offers, quality salespeople, entertainment, etc.

**9. Entry of Foreign retailers**

The retail sector in India has drawn the interest of many global retailers. Due to liberalization policies adopted by the government, many multinational companies have entered our country through joint ventures, franchising or even self-owned stores. Further, the government has allowed up to 51% FDI in 'single brand' retail. This will further boost organized retailing.

**10. Technological Impact**

Technology is one of the dynamic factors that has affected the retailing industry. Computerization of various operations in a retail store, use of bar coding, MIS, Electronic Article Surveillance System, closed circuit televisions etc., have changed the face of retailing.

Debit cards, credit cards, smart cards etc., have made shopping easier for consumers. Technology has further facilitated online shopping and tele-shopping. In short, emerging technologies have given a momentum to organized retailing.

### 4.4.3 REASONS FOR SLOW GROWTH OF ORGANISED RETAIL IN India

In India organized retail is largely an urban phenomena. Organized retailing accounts for only 7% of the retailing industry in India. The pace of its growth is still slow. Some of the reasons for this slow growth are:

**1. Lack of recognition as an Industry**

Retail is not yet recognized as an industry in India. This hampers the availability of finance to the existing and new players.

**2. High costs of real estate**

There has been a constant increase in real estate prices. Moreover, real estate prices in some cities in India are amongst the highest in the world. Hence the retail space is available at high lease rentals which reduce the profit earned by retailers.

**3. Lack of adequate Infrastructure**

Infrastructure facilities are not yet developed in India. Poor roads, lack of warehousing facilities, power shortage etc. hamper the development of food and fresh grocery.

**4. Complex taxation system**

The sales tax rates vary from state to state. Organized retailers have to face multiple tax system. Due to this, it becomes expensive to transfer goods from one store to another.

**5. Restrictions on foreign direct investment**

FDI is not permitted in pure retailing. Global retailers can enter India only by way of a franchise with an Indian partner or through technological alliances. This has restricted the growth of retail in India.

**6. Huge geographical and regional differences**

India is a. vast country (7th largest in the world and second highly populated one). There exists huge diversity. Hence it becomes difficult for retailers to cater to the needs of such a diverse population.

**Check Your Progress**

**1. State whether following statement are True of False.**

a. Organized retailing refers to trading activities undertaken by licensed retailers

b. Organized retailing tries to provide more value to the customers by bringing operational efficiencies.

c. Currently, the organized retail is enjoying a large market share of the total retail trade in India.

d. India is one of the biggest organized retail markets in the world. e. The entry of corporate sector in retail trade has given a big boost to the unorganized retail sector.

f. The operating costs of organized retail are lower as compared to unorganized retail.

**2. FILL IN THE BLANKS**

a. At present, FDI is allowed upto _________ % in single brand retail.

b. ___________retailing refers to the traditional formats of the retail industry.

c. Indian retails face the challenges of __________.

d. Retailer has to develop innovative solution for managing the ___________chain problems.

e. Due to ___________television and Internet, Indian consumers are exposed to the lifestyles of more affluent countries.

f. The share of organized retail is about _______% of the total retail trend in India.

## 4.5 SURVIVAL STRATEGIES FOR UNORGANIZED RETAILERS

**1. Right Positioning**

The effectiveness of the retailer's communication of the offering to the target customers determines how well the retailer gets positioned in their minds. At this stage, the communication has to be more of relative nature. This implies that the message conveyed to the target customers must be effective enough in differentiating the retailer's offering from that of the malls without even naming them.

**2. Effective Visual Communication**

Retailer has to place more emphasis on visual display, merchandising, lighting, signage and specialized props. The visual communication strategy might be planned and also be brand positioned. Theme or lifestyle displays using stylized mannequins and props, which are based on a season or an event, are used to promote collections and have to change to keep touch with the trend. The merchandise presentation ought to be very creative and displays are often on non-standard fixtures and forms to generate interest and add on attitude to the merchandise.

**3. Strong Supply Chain**

Critical components of supply chain planning applications can help manufacturers meet retailers' service levels and maintain profit margins. Retailer has to develop innovative solution for managing the supply chain problems. Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning, production planning, lean systems and staff should help retailers to get advantage over competitors.

**4. Changing the Perception**

Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products sold in malls. Retailer has to provide more assortments for private level brands to compete with organized retailing. New product development, aggressive retail mix as well as everyday low pricing strategy can be the strategy to get edge over competitors' brand.

**5. Electronic Cash Register (ECR)**

ECR is a commonly used for billing by most retailers. An entry-level billing system can also generate 11 types of stock reports; ECR is best suited for small retailers. It speeds up the billing process and saves customers' time.

**6. Pleasant Experience**

The customer touch-points which involve the interaction of a customer with a store need to be properly managed. These involve the interactions before he reaches the store, while at the store and after leaving the store. Positive experience at the retail outlet will bring back the consumer again & again.

**7. People and Physical Evidence**

Since a retail store is an integral part of the service industry, the people they employ and their physical evidence should be such that the customer comes often. It shouldn't look like that the customer is buying from the road. If he goes to a store, it should look at least like a store so improve the ambience at retail outlet.

**8. Loyalty programme**

A loyalty programme is something which can attract a customer again and again to a store. It encourages a customer to spend more to buy more. More loyalty programme should be introduced by retail outlets.

**9. Customization**

Customization on the basis of their demographics and psychographics is becoming the name of the game as all these retailers have databases of loyal customers. Customization makes consumer feel important as the product or service is tailored to suit individual expectation.

## 4.6 SUMMARY

Organized retailing refers to trading activities undertaken by licensed retailers.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing.

The factors responsible for growth of organized retailing In India are: a rapid growth in the number of middle class consumers, growth in the middle and high income population**,** an explosion in media, rise in number of nuclear families, literate, professionally qualified and working urban women, eliminating wholesalers in the distribution process, emerging rural market, entry of the corporate sector in retail marketing, entry of Foreign retailers, improved technology.

Though the Organized retailing is growing in India its growth is slow due to reasons like: Lack of recognition as an Industry, High costs of real estate, Lack of adequate Infrastructure, Complex taxation system, Restrictions on foreign direct investment, Huge geographical and regional differences etc.

As the organized retailing is growing in India the unorganized retailers are using the business strategies such as: Right Positioning, Effective Visual Communication, Strong Supply Chain, Changing the Perception, Electronic Cash Register (ECR), Pleasant Experience, People and Physical Evidence, loyalty programme, Customization etc.

## 4.7 QUESTIONS

1. Define retailer and explain his functions.
2. Distinguish between organized retailing and unorganized retailing.
3. Explain the various trends in retailing.
4. Discuss the survival strategies for unorganized retailing in India.
5. What are the various factors responsible for the growth of organized retailing in India?
6. What are the various reasons for slow growth of organized retailing in India.

❖❖❖❖

# Unit-5

## RETAIL FORMAT

**Unit Structure :**



## 5.0 OBJECTIVES

After studying the unit the students will be able to:

- Explain the Retail format.
- Know the concepts store planning, Design and Layout
- Explain the important aspects of Store planning.
- Understand the guidelines for effective Store Layout Design.
- Explain the types of layout.

## 5.1 INTRODUCTION

The word ‘retail’ is derived from the French word ‘retailer’ which means to cut off a piece or to break bulk. A retailer is a dealer or a trader who sells gods in small quantities. A retailer links the producers and the Ultimate consumers and provides services to both. Lakhs of retailers are spread throughout the country. They form an important link in the distribution of goods.

David Gilbert has defined retail as “any business that directs its marketing efforts towards satisfying the final consumers based upon the organization of selling goods and services as a means of distribution.”

## 5.2 RETAIL FORMAT

**Retail Format**

**Store Formats** | **Non – Store Formats**

### A. STORE FORMATS

There are various stores based retail formats that operate in India:

1. **Shopping Malls:** They are the largest form of organized retailing today. They are located mainly in metro cities, in proximity to urban outskirts ranging from 60,000 sq. ft. to 7,00,000 sq. ft. and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include, Inorbit, Hyper City, Prime Mall and so on.

2. **Specialty Stores:** Chains such as the Bangalore based Kids Kemp, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

3. **Discount Stores:** As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non perishable goods.

4. **Department Stores:** These are large retail store offering a variety of services and merchandise organized in separate departments and occupies prominent positions in the heart of town or as anchor stores in out-of- town malls. Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft.) across India and even has its own in store brand for clothes called Stop!.

5. **Hypermarts / Supermarkets:** Hyper mart is a store that combines a supermarket and a department store. It is a gigantic retail facility that carries a big range of products under one roof, including fresh groceries and apparel. When planned, constructed and executed correctly,' hyper mart caters to routine weekly shopping needs in one trip. Example: Big Bazaar.

**6. Convenience Stores:** These are relatively small stores with an area of 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.

**7. Multi Brand Outlets:** MBOs, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros. For example in electronics - Vijay Sales.

**8. Independent retailer:** An independent retailer is one who owns and operates only one retail outlet. The owner of the shop is assisted by a few local staff or family members. Many independent stores are passed on from one generation to the other. Stores like the baniya, kirana store and panwala are examples of independent retailers. The independent retailer often has a direct rapport with most of his customers.

**9. A chain retailer:** When two or more outlets are under a common ownership it is called a retail chain. These stores offer similarity in products, ambience, advertising, promotions etc. Examples in India include Louis Phillipe, Van Heusen, Globas, Planet M, Arrow etc.

**10. Franchise:** A franchise is a contractual agreement between the franchiser and the franchisee, which allows the franchisee to conduct business under an established name and as per a particular business format. In return, the franchisee has to pay a fee or compensation to the franchisor. For instance, Pizza Hut, NUT, Mc Donald's, Domino's, Baskin Robins etc.

**11. Leased departments:** These are also termed as 'shop-in-shops.' When a section of a department in a retail store is rented to an outside party, it is called a leased department. In India, many large department stores operate their perfumes and cosmetics counters in this manner.

**12. Consumer Co – Operative:** A Consumer co – operative is a retail organization owned by its member customers. Their objective is to provide commodities at a reasonable price. Examples of co – operatives in India are Sahakari Bhandar, Apna Bazaar, Kendriya Bhandar etc.

## B. NON-STORE FORMATS

Non-store retailing is a form of retailing in which sales are made to consumers without using stores. While only 10% of retail sales are made through non-store channels, sales in non-store formats are growing faster than store sales.

**The various types of non-store formats include:**

**1. Automatic Vending Machines:** Vending Machine retailing is a non- store format in which goods or merchandise are stored in a machine and dispensed to customers when they deposit cash or use a credit card.

The automatic vending machines are mostly found in developed countries like USA, UK, Japan, etc. However, nowadays, they have made in roads in developing countries like India as well.

Initially, impulse goods with high convenience value such as cigarettes, soft drinks, candy, newspapers, and hot beverages were offered. However, a wide array of products such as hosiery, cosmetics, food snacks, postage stamps, paperback books, record albums, camera film, etc., are now available through machines, especially in developed countries. Vending machines can expand a firm's market by reaching to customers where and when they cannot come to a store.

**2. Electronic Retailing:** Electronic retailing is a retail format in which the retailer and customer communicate with each other through an interactive electronic network. Alter an electronic dialogue between the retailer and customer, the customer can order merchandise directly through the interactive network or by telephone and the merchandise is typically delivered to the customer's home. Payment can be made with the help of credit card or debit card or cash on delivery.

The main benefits to the customer include lower costs because the electronic retailer generally sells the goods at discounted prices. The main disadvantage is that the customer cannot examine the goods before placing the order.

**3. Direct Selling:** The direct selling involves direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their workplace.

Direct selling is distinct from direct marketing because it is about individual sales agents dealing directly with clients. Direct marketing is about business organizations seeking a relationship with their customers without going through an agent or retail outlet.

Direct selling often uses multi-level marketing (salesperson is paid for selling and for sales made by people he recruits or sponsors) rather than single-level marketing (salesperson is paid only for the sales he makes by himself).

**4. Direct Marketing:** In direct marketing, the marketing is done directly to the customers without the help of an agent. There is no intermediary involved. Direct marketing involves:

**(a) Mail Order Retailing -** The order from the customers is received through the mail, and accordingly the goods are delivered to the customer and the payment is collected. However, Indian customers hardly place orders through the mail.

**(b) Television Shopping -** Details about the products such as features, uses, price, and guarantee/warranty are explained on the television network. Phones numbers are provided to order. If the buyer is convinced, the buyer places the order and accordingly the goods are delivered at buyer's address and payment is collected.

**Check Your Progress**

1. Define the following terms:
   a. Automatic vending machine
   b. Direct marketing
   c. Direct selling
   d. Hyper mart
   e. Discount stores
   f. Shopping molls
   g. Convenience Stores
   h. Multi brand outlets
   i. Franchise
2. Give the examples of Store format.

## 5.3 STORE PLANNING - STORE DESIGN AND LAYOUT

Store planning involves location of the store, store design and layout, the type of merchandise to display and sell, etc. Store planning goes beyond the process of building the structure of the store; it is a process which involves every aspect of designing the store. The store must be planned from the view point of the customers who would patronize the store.

**Guidelines for Store Planning (Design and Layout)**

**1. Location:** A store's location should always be a part of store planning. The store should be preferably in a prime location which is easily accessible to the customers. Avoid locating the store at a secluded place. The store's decor and merchandise should also reflect the store's location.

It is always advisable to locate the store at a place where there are other similar stores.There are chances that the customers who are loyal to neighbourhood stores may visit your store as well, especially, when they may not find their product hoice in the store which they regularly visit. Also, the ambience of your store may attract them to your store.

**2. Signage:** The signage displaying the name and logo of the store must be inserted at a place where it is visible even from a distance. The signage may be placed at different sides of the store, especially, when the store has different sides facing the road/ street. Too much information must be avoided.

**3. Colour:** The store must have the right colour on the walls both external and internal. Generally dark shades may be avoided. Preferably, light and subtle shades may be used. The colour sets the mood of the store, which in turn influences the mood of the customer shopping in the store.

**4. Entrance and Exit:** There must be proper entrance and exit. In small stores, the entrance and exit is normally one and the same. In large stores, there must be an emergency exit. Do not stock anything at the entrance or exit of the store.

**5. Flooring and Ceiling:** The store need to have decent floor tiling, and the ceiling must be properly done. The floor and the ceiling must be kept clean. Stains must be avoided on the floor and on the ceilings. In some stores, carpets may be laid.

**6.** Fixtures: Fixtures must be installed properly in the retail store. Fixtures inside the store should have an aesthetic look and must be able to store and display the store's merchandise. Customers may focus not only the merchandise but also on the fixtures of the store. The fixtures should enable to display the products to their fullest extent, and should provide easy access for customers. The shelves should not be too high and the racks should not be too full.

**7. Lighting and Music:** The store should be adequately lighted so that the products are easily visible to the customers. Also, light music may be played at the store. Loud music must be avoided. During festival season, good lighting effect needs to be created within and outside the store.

**8. Arrangement of Merchandise:** The merchandise must be well arranged and organized on the racks. The shelves must carry necessary labels which would enable the customers to locate the products. Avoid overloading in the racks.

Products should be grouped logically. For example, in a readymade garments shop, the gents clothing may be stocked at one place and the ladies wear must be stocked at another place. Also, kids' wear may be displayed separately. In a grocery store, cereals and breakfast food could be in one aisle. Bread and biscuits should be near the payment counter.

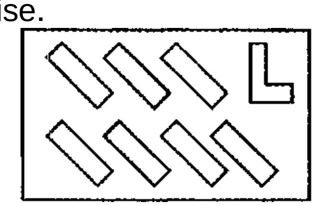
**9. Fragrance:** The store may use light fragrance. Avoid bad odour inside the store, as it may drive away the customers and the store would lose sales.

## 5.4 TYPES OF FLOOR LAYOUT

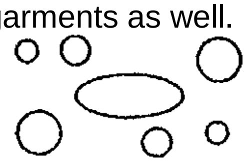
The layout of the store should be easy to move and should lead the customers to the merchandise with ease. There are various forms of floor plans:

**(a) Straight Floor Plan -** Where the merchandise in shelves/ racks is arranged in a straight line, which you normally comes across in most of the store. The straight floor plan provides enough space for the customers to move and shop freely.

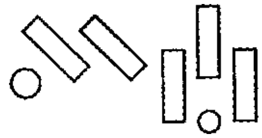
**(b) Diagonal Floor Plan -** The shelves/racks are kept diagonal to each other for the manager to have a watch on the customers. The diagonal floor plan enables the customers to move freely to select the merchandise.



**(c) Angular Floor Plan -** The fixtures and at times even the walls are given a curved look. It gives a stylish look to the store. Such layouts are often seen in high end stores, or malls, where premium Scotch whisky or wine bottles are displayed. It can be also used in case of garments as well.



**(d) Mixed Floor Plan -** It is a combination of straight, diagonal, and angular floor space. Shopping malls may adopt this type of floor plan.



## 5.5 SUMMARY

Retail formats includes the Store formats and Non store formats. The various stores based retail formats operating in India are: Shopping Malls**,** Specialty Stores**,** Discount stores, Department stores, Super markets, Convenience stores, Multi brand outlets, Independent retailer, Chain retailer, Franchise, Leased departments, Consumer co-operative.

Non-store retailing is a form of retailing in which sales are made to consumers without using stores. This form includes: Automatic Vending Machines**,** Electronic retailing, Direct selling and Direct marketing.

Store planning involves location of the store, store design and layout, the type of merchandise to display and sell, etc.

While deciding the Design and Layout of the store following points should be considered: store's location, the signage displaying the name and logo of the store, the right colour on the walls, proper entrance and exit, decent floor tiling, and the ceiling, Fixtures, Lighting and Music , Arrangement of Merchandise**,** light fragrance.

The various types of floor layout are Straight Floor plan, Diagonal Floor plan, Angular Floor plan and Mixed Floor plan.

## 5.6 QUESTIONS

1. Explain in detail the retail store format.
2. Explain various types of store format.
3. Explain various types of non store format.
4. What is store planning and design and layout?
5. Explain the important aspects of store planning.
6. Explain various types of layout.
7. **State whether following statement are True of False.**

a. An independent retailer is one who owns and operates only one retail outlet

b. Convenience stores enable consumers to make purchases quickly.

c. In direct selling, there is no personal contact with the ultimate consumer

d. In Telemarketing the product is not advertised on television

e. Store planning and design is a process which does not involve every aspect of designing the store. .

f. Exit of a store must be overcrowded with goods.

g. The decor of the store includes the color scheme of the area, pasted and displayed signs, and other special finishes such as lighting, flooring etc.

h. Grid (Straight) Design is best used in retail environments in which majority of customers shop only in a certain part of the store

i. Curving/Loop (Racetrack) Design exposes shoppers to the greatest possible amount of merchandise by encouraging browsing and cross-shopping.

j. Facility management at a mall involves only infrastructure management.

k. A store layout is the design in which a store's interior is set up.

l. Department store is a form of non stores format.

**8. FILL IN THE BLANKS.**

a. When two or more outlets are under a common ownership it is called a________ ________.

b. ________ departments are also termed as 'shop-in-shops.

c. A consumer ________is a retail organization owned by its member customers.

d. The ________ of the store includes the color scheme of the area, posted and displayed signs, and other special finishes such as lighting, flooring ETC.

e. ________ Design is best used in retail environments in which majority of customers shop the entire store.

f. ________ Layout Works best when merchandise is of the same type, such as fashion apparel.

g. ________Layout is based on single main aisle running from the front to the back of the store.

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# Unit-6

## RETAIL SCENARIO

**Unit Structure :**



## 6.0 OBJECTIVES

After studying the unit students will be able to:

- Know the Prospects and challenges in India.
- Explain the retail reforms in India.
- Discuss about Mall management.
- Know about FDI in retailing.
- Know the careers in Retailing.

## 6.1 RETAIL SCENARIO IN INDIA AND GLOBAL CONTEXT

Indian market has high complexities in terms of a wide geographic spread and distinct consumer preferences varying by each region necessitating a need for localization even within the geographic zones. India has highest number of outlets per person (7 per thousand) Indian retail space per capita at 2 sq ft (0.19 $m^2$)/ person is lowest in the world Indian retail density of 6 percent is highest in the world. 1.8 million households in India have an annual income of over Rs.45 lakh (US$81,900).

While India presents a large market opportunity given the number and increasing purchasing power of consumers, there are significant challenges as well given that over 90% of trade is conducted through independent local stores. Challenges include: Geographically dispersed population, small ticket sizes, complex distribution network, little use of IT systems, limitations of mass media and existence of counterfeit goods. Indian apparel retailers are increasing their brand presence overseas, particularly in developed markets. While most have identified a gap in countries in West Asia and Africa, some majors are also looking at the US and Europe. Arvind Brands, Madura Garments, Spykar Lifestyle and Royal Classic Polo are busy chalking out foreign expansion plans through the distribution route and standalone stores as well. Another denim wear brand, Spykar, which is now moving towards becoming a casual wear lifestyle brand, has launched its store in Melbourne recently. It plans to open three stores in London by 2008-end.

The low-intensity entry of the diversified Mahindra Group into retail is unique because it plans to focus on lifestyle products. The Mahindra Group is the fourth largest Indian business group to enter the business of retail after Reliance Industries Ltd, the Aditya Birla Group, and Bharti Enterprises Ltd. The other three groups are focusing either on perishables and groceries, or a range of products, or both.

- REI AGRO LTD Retail: 6TEN and 6TEN kirana stores
- Future Groups-Formats: Big Bazaar, Food Bazaar, Central, Fashion Station, Brand Factory, Home Town, E-Zone etc.
- Raymond Ltd.: Textiles, The Raymond Shop, Park Avenue, Park Avenue Woman, Parx, Colourplus, Neck Ties & More, Shirts & More etc.
- Fabindia: Textiles, Home furnishings, handloom apparel, jewellery
- RP-Sanjiv Goenka Group Retail-Formats: Spencer’s Hyper, Spencer's Daily, Music World, Au Bon Pain, Beverly Hills Polo Club
- The Tata Group-Formats: Westside, Star India Bazaar, Steeljunction, Landmark, Titan,Tanishq, Croma.
- Reliance Retail-Formats: Reliance MART, Reliance SUPER, Reliance FRESH, Reliance Footprint, Reliance Living, Reliance Digital, Reliance Jewellery, Reliance Trends, Reliance Autozone, iStore
- K Raheja Corp Group-Formats: Shoppers Stop, Crossword, Hyper City, Inorbit Mall

- Nilgiri's-Formats: Nilgiris' supermarket chain
- Shri Kannan Departmental Store (P) Ltd ., : Groceries, Clothing, Cosmetics [Western Tamil Nadu's Leading Retailer]
- Lifestyle International-Lifestyle, Home Centre, Max, Fun City and International Franchise brand stores.
- Pyramid Retail-Formats: Pyramid Megastore, TruMart
- Next retail India Ltd (Consumer Electronics)(www.next.co.in)
- Vivek Limited Retail Formats: Viveks, Jainsons, Viveks Service Centre, Viveks Safe Deposit Lockers
- PGC Retail -T-Mart India [4], Switcher, Respect India, Grand India Bazaar,etc.,
- Aditya Birla Group- Formats: more., acquiured Pantaloon from Future group, acquired Trinetra (Fabmall and Fabcity)
- Vishal Retail Group-Formats: Vishal Mega Mart
- BPCL-Formats: In & Out
- Shoprite Holdings-Formats: Shoprite Hyper
- Paritala stores bazar: honey shine stores
- Kapas- Cotton garment outlets
- AaramShop - a platform which enables hybrid commerce for thousands of neighborhood stores.
- Gitanjali- Nakshatra, Gili, Asmi, D'damas, Gitanjali Jewels, Giantti, Gitanjali Gifts, etc.

## 6.2 ENTRY OF MNCS

**A spice market**

The world's largest retailer by sales, Wal-Mart Stores Inc and Sunil Mittal's Bharti Enterprises have entered into a joint venture agreement and they are planning to open 10 to 15 cash-and-carry facilities over seven years. The first of the stores, which will sell groceries, consumer appliances and fruits and vegetables to retailers and small businesses, is slated to open in north India by the end of 2008. See also for more Detail Pick/Müller Carrefour, the world's second largest retailer by sales, is planning to set up two business entities in the country one for its cash-and-carry business and the other a master franchisee which will lend its banner, technical services and know how to an Indian company for direct-to-consumer retail.

The world's fifth largest retailer by sales, Costco Wholesale Corp (Costco) known for its warehouse club model is also interested in coming to India and waiting for the right opportunity.

Tesco Plc., plans to set up shop in India with a wholesale cash-and-carry business and will help Indian conglomerate Tata group to grow its hypermarket business.

**Prospects and Challenges in India**

A McKinsey study claims retail productivity in India is very low compared to international peer measures. For example, the labor productivity in Indian retail was just 6% of the labor productivity in United States in 2010. India's labor productivity in food retailing is about 5% compared to Brazil's 14%; while India's labor productivity in non-food retailing is about 8% compared to Poland's 25%.

Total retail employment in India, both organized and unorganized, account for about 6% of Indian labor work force currently - most of which is unorganized. This about a third of levels in United States and Europe; and about half of levels in other emerging economies. A complete expansion of retail sector to levels and productivity similar to other emerging economies and developed economies such as the United States would create over 50 million jobs in India. Training and development of labor and management for higher retail productivity is expected to be a challenge.

To become a truly flourishing industry, retailing in India needs to cross the following hurdles:

- Automatic approval is not allowed for foreign investment in retail.
- Regulations restricting real estate purchases, and cumbersome local laws.
- Taxation, which favours small retail businesses.
- Absence of developed supply chain and integrated IT management.
- Lack of trained work force.
- Low skill level for retailing management.
- Lack of Retailing Courses and study options
- Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

In November 2011, the Indian government announced relaxation of some rules and the opening of retail market to competition.

## 6.3 INDIA RETAIL REFORMS

Until 2011, Indian central government denied foreign direct investment (FDI) in multi-brand Indian retail, forbidding foreign groups from any ownership in supermarkets, convenience stores or any retail outlets, to sell multiple products from different brands directly to Indian consumers..

The government of Manmohan Singh, prime minister, announced on 24 November 2011 the following:

- India will allow foreign groups to own up to 51 per cent in "multi-brand retailers", as supermarkets are known in India, in the most radical pro-liberalization reform passed by an Indian cabinet in years;

- Single brand retailers, such as Apple and Ikea, can own 100 percent of their Indian stores, up from the previous cap of 51 percent;

- Both multi-brand and single brand stores in India will have to source nearly a third of their goods from small and medium-sized Indian suppliers;

- All multi-brand and single brand stores in India must confine their operations to 53-odd cities with a population over one million, out of some 7935 towns and cities in India. It is expected that these stores will now have full access to over 200 million urban consumers in India;

- Multi-brand retailers must have a minimum investment of US$100 million with at least half of the amount invested in back end infrastructure, including cold chains, refrigeration, transportation, packing, sorting and processing to considerably reduce the post harvest losses and bring remunerative prices to farmers;

- The opening of retail competition will be within India's federal structure of government. In other words, the policy is an enabling legal framework for India. The states of India have the prerogative to accept it and implement it, or they can decide to not implement it if they so choose. Actual implementation of policy will be within the parameters of state laws and regulations.

The opening of retail industry to global competition is expected to spur a retail rush to India. It has the potential to transform not only the retailing landscape but also the nation's ailing infrastructure.

A Wall Street Journal article claims that fresh investments in Indian organized retail will generate 10 million new jobs between 2012–2014, and about five to six million of them in logistics alone; even though the retail market is being opened to just 53 cities out of about 8000 towns and cities in India.

It is expected to help tame stubbornly high inflation but is likely to be vehemently opposed by millions of small retailers, who see large foreign chains as a threat. The need to control food price inflation—averaging double-digit rises over several years—prompted the government to open the sector, analysts claim. Hitherto India's food supplies have been controlled by tens of millions of middlemen (less than 5% of Indian population). Traders add huge mark-ups to farm prices, while offering little by way of technical support to help farmers boost their productivity, packaging technology, pushing up retail prices significantly. Analysts said allowing in big foreign retailers would provide an impetus for them to set up modern supply chains, with refrigerated vans, cold storage and more efficient logistics. "I think foreign chains can also bring in humongous logistical benefits and capital," Chandrajit Banerjee, director-general, Confederation of Indian Industry, told Reuters. "The biggest beneficiary would be the small farmers who will be able to improve their productivity by selling directly to large organized players," Mr Banerjee said.

## 6.4 MALL MANAGEMENT:

### 6.4.1 Introduction:

If we look at the customer's perspective, there are two major benefits that every customer seeks out of shopping in Mall. One is an overall experience and the other is a whole variety of goods under one roof.

These two expectations cannot be met satisfactorily either by the Mall developer or the Retailer. But if roles are clearly defined and each one develops a core competence, then a fantastic synergy can arise between the two parties. The Mall and the Retailer should work out a strategy where the Mall focuses on enhancing the overall experience and the Retailer focuses on the delivering a good variety of products. To formalize this association, there would have to be a clear definition of expectations and most importantly sharing of profits.

### 6.4.2 Specifying Expectations:

- Redefinition of relationship between malls and retailers. It is no more the tenant landlord relationship that existed traditionally. Both need to consider each other as partners or associates, where one party's growth is greatly dependent on the other.

- Malls and Retailers work together to offer the customers the complete experience. This complete experience would include products that can offer value for money on the one hand and attractive entertainment on the other hand.

- Through mutual discussions, collaborative strategy is defined and areas of core competence are identified. Each one seeks to improve and perfect the specific area of Competence. For e.g. Mall Developer could take up the responsibility of organizing promotions, while the retailer plans the merchandise according to the promotions requirements.

### 6.4.3 Merchandise

The Mall management would also have to restructure the way, products are Id in their malls. One of the ways could be to create mini malls within malls. For e.g. all stores in related categories could be placed in close proximity, so as to idea a better variety to the customers and at the same time increase impulse the stores. Thus Apparel stores, Accessories stores and Shoes stores could placed together and thus create complete segments of related products within the Mall. The malls could now organize specific promotion events for these ones or categories.

### 6.4.4 Financials

While financial strategies would always be specific to the Mall and Retailers, this strategy in its basic form incorporates the following strategies:

1. Sharing of expenses between the Retailer and Mall would be undertaken, mobilities include a fixed fee to be paid by all the Retailers to the Mall developer. This fee would be over and above the rentals being paid already. As a justification to the costs the strategic team may be held accountable for either foot calls or certain minimum number of events in a year. Since these events would always be held in consultation with the retailer, he would stand to benefit directly from these events.

2. Another strategy for financial collaboration could be by way of Revenue sharing. The Mall developer gets cut out of the revenues of the Retailers during a specific promotion.

### 6.4.5 Indian experience

In India, mall management is more like a mix of the functions, property and asset management. There is a property on which a mall is built, retailers are called in who establish their shops and then the asset is maintained.

Mall management largely encompasses several activities/ functions that go into the maintenance of the mall. This covers facilities management functions, operation management, marketing management, accounts management and customer service. It is basically a combination of services that factor in people, place, processes and technology in a particular building. Professional mall management results in the best possible utilization of resources available.

Mall management begins with taking care of issues such as positioning, tenant mix, infrastructure facilities, the kind of environment required and finance management. It also takes care of issues like positioning, zoning that include tenant mix and placement within mall, promotions and marketing.

The demand for superior shopping experience goes parallel with superior mall management, which is inclusive of appropriate maintenance of retail space using the latest technology, trained manpower, standard operating practices and schedules.

Customer service is also an important function of mall management. Customers are not only mall visitors but also retailers who have bought space in the mall. A mall has to keep these internal as well external customers happy through various activities. Generally there are two types of consumers who visit malls - focused buyers and impulse buyers. Mall management activities are designed from the perspective of both these buyers.

Providing value-added services is also an important part of mall management. Value-added services include simple activities like lighting, safety and security, making the mall, kid and senior citizen-friendly, which in turn make the mall desirable for visitors and add a personalized touch.

## 6.5 THE CORE OF MALL MANAGEMENT

### 6.5.1 Skilled operations necessary

A mall, by virtue of the business, is such that it needs to be handled, secured and managed in the hands of skilled people.

As retail experts point out that mall management as a concept has just begun to emerge in India as a possible route to maximize profitability and reduce overheads. Being in such nascent stage, India has no formal training module designed for mall management.

There are very few mall management companies here at present. Large real estate developers and retail chains either have their own mall management divisions or have contracts with international consultants. In developed markets like the US and

Europe, mall management is an established independent service line.

A specialist's property management skills enable property owners to receive the benefit of master planning and development expertise, which is critical to ensure that malls are positioned for long-term growth and success.

#### 6.5.2 Few training Schools

Since the concept is still picking up, formal training courses in mall management are also not too many. Although several institutes have rolled out short-term courses in retail and mall management, including IIM-Indore and IIM-Calcutta, the formal inputs and experience will take some time to get to the desired levels.

Today, for a large section of the urban population, a mall is a place to splurge, pay a visit on the weekends, shop and spend cash in the food court. Even as we move into the second phase of mall development, it is actually the concept of properly practiced mall management that will give existing and future players an edge in the sector.

**Check Your Progress**

**1. State whether following statement are True of False.**

a. The organized retail industry in India evolved in 1890s

b. Facility management at a mall involves only infrastructure management.

c. The primary goal of the most retailers is to sell the right kind of merchandise.

d. Customer service is also not an important function of mall management

e. Generally there are two types of consumers who visit malls - focused buyers and impulse buyers.

## 6.6 RETAIL FRANCHISING

### 6.6.1 MEANING

“A franchise operation is a contractual relationship between the franchisor and franchisee in which the franchisor offers or is obliged to maintain a continuing interest in the business of the franchisee in such areas as know-how and training; wherein the franchisee operates under a common trade name, format and/or procedure owned or controlled by the franchisor, and in which the franchisee has or will make a substantial capital investment in his business from his own resources."

**- Definition by International Franchise Association**

**Meaning**

Franchising is more than distributorship

* Extends to an entire operation or method of business
* Greater assistance, control and longer duration
* Distributor merely re-sells products to retailers or customers

**Growth of Franchising**

* Singer Sewing Machine – first franchise (mid-19th century)
* Automobile (e.g. Ford), petroleum products (e.g. Shell), soft drinks (e.g. Coca Cola)
* Food and restaurants (e.g. McDonald's, Starbucks)

**Growth of Franchising**

* Home markets saturated – attractive opportunities overseas
* Lack of/relaxation of regulations in most countries
* Expansion of international trade
* Exposure to international media

## 6.6.2 TYPES OF FRANCHISE

* 3 main types of franchise:
    * Product distribution franchise;
    * Business format franchise; and
    * Management franchise.

## 1. PRODUCT DISTRIBUTION FRANCHISES

* A product distribution franchise model is very much like a supplier-dealer relationship.

* Typically, the franchisee merely sells the franchisor's products. However, this type of franchise will also include some form of integration of the business activities.

## 2. BUSINESS FORMAT FRANCHISING

* In a business format franchise, the integration of the business is more complete.

* The franchisee not only distributes the franchisor's products and services under the franchisor's trade mark, but also implements the franchisor's format and procedure of conducting the business.

**3. MANAGEMENT FRANCHISE**

* A form of service agreement.
* The franchisee provides the management expertise, format and/or procedure for conducting the business.

### 6.6.3 Importance of franchise

* Franchises offer important pre-opening support:
  * Site selection
  * Design and construction
  * financing (in some cases)
  * Training
  * Grand-opening program

* Franchises offer ongoing support
  * Training
  * National and regional advertising
  * operating procedures and operational assistance
  * Supervision and management support
  * increased spending power, access to bulk purchasing and economies of scale

**Check Your Progress**

**1. FILL IN THE BLANKS.**

a. __________ is the prime mover of the retail revolution.

b. The Mall and the Retailer should work out a strategy where the Mall focuses on __________ the overall experience and the Retailer focuses on the delivering a good variety of____________.

c. __________ mall management results in the best possible utilization of resources available.

d. A__________ usually lasts for a fixed time period and serves a specific territory or geographical area surrounding its location.

e. __________ creates another source of income for the franchisor.

g. Under franchising, the franchisor transfers __________ to the franchisee.

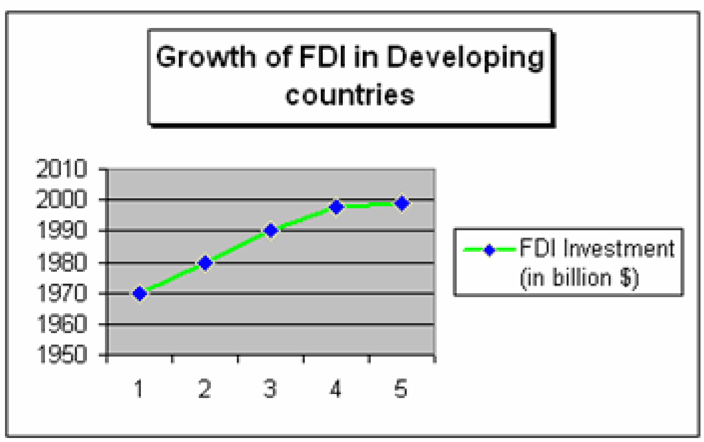
## 6.7 FDI IN RETAILING

FDI can be defined as a cross border investment, where foreign assets are invested into the organizations of the domestic market excluding the investment in stock. It brings private funds from overseas into products or services. The domestic company in which foreign currency is invested is usually being controlled by the investing foreign company. Eg. An American company taking major stake in a company in India, their ROI is based on the performance of the project.

In the past decades, FDI was concerned only with highly industrialized countries. US was the world's largest recipient of FDI during 2006 with an investment of 184 million from OECD (Organization for Economic Co-operation and Development) countries. France, Greece, Iceland, Poland, Slovak Republic, Switzerland and Turkey also have a positive record in FDI investments. Now, during the course of time, FDI has become a vital part in every country more particularly with the developing countries. This is because of the following reasons:

- Availability of cheap labor.
- Uninterrupted availability of raw material.
- Less production cost compared with other developed countries.
- Quick and easy market penetration.

| Year | $ (in billion) |
|---|---|
| 1970 | 10 |
| 1980 | 20 |
| 1990 | 26.7 |
| 1998 | 179 |
| 1999 | 208 |




**FDI in the Retail sector:**

Retailing is one of the world's largest private industry. Liberalizations in FDI have caused a massive restructuring in retail industry. The benefit of FDI in retail industry superimposes its cost factors. Opening the retail industry to FDI will bring forth benefits in terms of advance employment, organized retail stores, availability of quality products at a better and cheaper price. It enables a countries product or service to enter into the global market.

**Cheaper production facilities:**

FDI will ensure better operations in production cycle and distribution. Due to economies of operation, production facilities will be available at a cheaper rate thereby resulting in availability of variety products to the ultimate consumers at a reasonable and lesser price.

**Availability of new technology:**

FDI enables transfer of skills and technology from overseas and develops the infrastructure of the domestic country. Greater managerial talent inflow from other countries is made possible. Domestic consumers will benefit getting great variety and quality products at all price points.

## 6.8 RETAIL MANAGEMENT AS A CAREER

In the Information, Communication & Entertainment (ICE) age shopping has become a hobby for the new generation. The whole concept of shopping has altered with time, in terms of format and consumer buying behaviour. Thanks to rapid urbanization and sprawling shopping malls, Multi formats of retail stores and huge complexes that have emerged at an ever increasing speed in every upcoming city, retailing has grown into one of the largest sectors in the global economy.

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’. Retailing is a vital part of the business industry that involves selling products and services to consumers for their individual or family use. Retailing can also be defined as the timely delivery of goods demanded by consumers at an affordable and competitive price. It is a vertical and people-oriented business industry. Retail business in India boomed in the 80’s and within a short span of time, Indian retail sector has been rated as the fifth most attractive, emerging retail market in the world. Indian retail sector which account for over 10 percent of the country’s GDP (gross domestic product) and around eight percent of employment, is expected to grow at a compound rate of 30 per cent over the next five years.

Retailing process involves a direct interface with the customer and the coordination of business activities from the design stage of a product to its delivery and post-delivery service. Generally, retail business can be classified into several types depending on their size, shape, product lines, amount of service they offer and price they charge etc. Some among them are specialty stores, supermarket/ malls, factory outlets, franchises, chain stores, discount stores, lifestyle & personal products, furnishing household appliances & groceries stores etc.

With the tremendous growth of economy, retail management has emerged as one of the fastest growing careers in India. The enormous expansion in the retail sector during the past few years has thrown up a big demand for skilled professionals in the field. It is an industry looking for people at all levels, from the school pass out with basic skills, to the well qualified supply chain and retail management professionals. One can take up a job depending on one's interest and aptitude, since retail industry is an array of activities starting from marketing to branding. This makes retail profession one of the most demanding careers of the era.

The working time and atmosphere all depends upon the company one works for. One could start his career as a management trainee, and with hard work and right attitude, could reach the manager posts of different departments. Advertising agencies, Airlines, insurance companies, banks etc are some other areas where one can find jobs, apart from retail shops. One can even start one's own business and be an entrepreneur.

**Job prospects in Retail Sector are:**

- **Customer Sales Associate:** It is the entry-level post of retail business. But as every retail shop is completely dependent upon the sales they get, this is one of the important posts in this profession. To be a good sales person, one should have good knowledge about the products, the shop, the customers etc.

- **Department Manager / Floor Manager/ Category Manager** - These are some of the posts one could handle in the store.

- **Store Manager:** Store managers sometimes called General Manager or Store Director, are responsible for managing an individual store and its day-to-day functioning. The store manager is in charge of the employees of the store and he himself may report to a District or Area manager or the store's owner.

- **Retail Operation Manager:** It is the duty of a retail manager to plan and coordinate the operations of the outlet. This involves the layout of merchandise, monitoring the retail orders and stock, analyzing the supply etc. Candidates with Master Degree can start off as retail managers.

- **Retail Buyers and Merchandisers:** They are the persons who select and buy the goods for the retail shop. They should understand the needs of the customer, should be aware of the trends in the market, and should possess great enthusiasm and energy.

- **Visual Merchandisers:** These people give the brand a face, so they hold one of the very important positions in the industry. Being a part of concept and design one could also be a technical designer, product developer and store planner.

- **Manager Back-end Operations**
- **Logistics and Warehouse Managers**
- **Retail Communication Manager**
- **Manager Private label Brands**
- **Retail Marketing Executives:**

Trained and talented retail management professionals are always in great demand not only in India but abroad also. Big brands have opened retail chains throughout the cities & rural areas that offers huge job openings. A professional with excellent communication skills and a flair for convincing people can be recruited as store managers, customer care executives, merchandise officers, public relations executive and so on, in a multinational company.

## 6.9 RETAIL MANAGEMENT: ELIGIBILITY AND COURSE AREAS

There are options for taking up a degree or diploma in retail management, for those who choose the career. Various institutes offer courses in retail management such as MBA in retail management, Post Graduate Diploma in Retail Management and so on. Candidates having a high school, graduation or its equivalent, plus two or degree can apply for certificate, diploma or bachelors courses in Retail Management respectively. Retailers Association of India (RAI), is the first independent body of retailers in India.

A course in retail management helps one to learn the concepts of retailing, which would be helpful for future undertakings as well as practical experiences. Marketing strategies, Accounting, Business mathematics, ethics and law, Customer relation, visual Merchandising, Merchandising, Retail communication, Mall Management and Retail buying and operations are some of the topics related to Retail management courses. The courses will also provide information on merchandising, finance management, electronic retail, supply chain management etc.

Indian Institutes offering Programmes/courses in Retail Management:

- B.Sc. in Fashion Merchandising and Retail Management (B.Sc.-FMRM)
- M.Sc. in Fashion Merchandising and Retail Management (M.Sc.-FMRM)
- M.B.A. -Retail Management
- Bachelor of Fashion Retail Management
- Post Graduate Certificate in Retail Management (P.G.C.R.M)
- Post Graduate Diploma in Marketing and Retail Management (P.G.D.M.R.M)
- Post Graduate Diploma in Retail Management (P.G.D.R.M)
- Post Graduate Programme in Fashion Retail Management

## 6.10 SUMMARY

We have learned in this unit about retailing in the context of India as well as the world at large. The paradigm shift in the retail sector due to the entry of giant MNC's made it competitive. Due to this government has introduced reforms such as FDI in retailing, Franchising, etc, which helps to cope with the growing competition and acquired the latest technologies. Mall as a new form of retailing and its core management give young and experienced talent's new avenues of careers.

## 6.11 QUESTIONS

1. Give an overview of retailing in India.
2. Explain retail prospects in India.
3. Explain the challenges faced by retailers in India.
4. Write a note on mall Management.
5. What is retail franchising? Explain the types of retail franchising.
6. Write a note on FDI in retailing.
7. Explain the advantages of allowing FDI in retailing.
8. Explain various career options in retailing.

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# Unit-7

# INFORMATION TECHNOLOGY ENABLED SERVICE SECTOR

**Unit Structure :**



## 7.0 OBJECTIVES

After studying the unit students will be able to:

- Know about ITES sector.
- Understand the meaning and objectives of BPO and KPO.
- Explain the term LPO and its objectives.
- Understand about ERP, its advantages and disadvantages.

## 7.1 INTRODUCTION

**ITES Sector – Meaning**

ITES, Information Technology Enabled Service is defined as outsourcing of processes that can be enabled with information technology and covers diverse areas like finance, HR, administration, health care, telecommunication, manufacturing etc.

An obvious advantage of BPO is the immediate cost savings (over 30 per cent) and yet a steadfast focus on high quality standards. This also allows the in-house team (of the overseas client) to focus their expertise on more value-added work while delegating the lower-end work to more cost-effective resources. For India, it is a new job creator. It is estimated that the total number of jobs created so far as a result of outsourcing, primarily call centre operations, is about 180,000. Of these, the U.S. and the U.K. together have a share of over 86 per cent. By 2010, the share of non-call centre outsourcing is placed at 50 per cent of the total number of jobs created. One estimate places the KPO jobs alone at over a quarter of a million by then.

At the same time, companies abroad are skeptical about outsourcing high-end services for varied reasons such as data security, quality and professionalism in a remote location, political and regulatory climate. Collaborative approach clearly, this is an evolutionary process and certain roadblocks that exist need to be taken care of. Companies need to adopt a collaborative approach to tackle such issues. For instance, Scope has addressed these issues by adopting a relationship-based model. In this model, concerns on quality and timeliness have been addressed by Scope through a process of pilots and phased transfer of work. Technology — hardware and software — is world class. International certifications such as ISO and BS7799 also help. Likewise, Service Level Agreements that are mutually fair have been put in place.

What helps the India case is the ready access to a large intellectual pool with expertise in areas such as research and analysis, not to mention reasonable English language skills (that need honing) and strong domain expertise. But finally, it is the management that plays a vital role in enabling the smooth operationalisation of such remote knowledge partnerships.

There is tremendous potential in the KPO space. Only companies that have a strong pedigree, domain expertise, clear focus on the high-end space, a proactive solution orientation and a collaborative mindset will emerge as the winners.

## 7.2 MEANING AND OBJECTIVES OF BPO AND KPO

### 7.2.1 MEANING

While outsourcing is present in numerous business functions, including manufacturing, legal, financial and human resources, it is the term BPO (Business Process Outsourcing) that is largely in the news on a daily basis. India's capabilities in this area have been moving towards enhancing the nature of the work done. From mere data entry kind of work, the focus has shifted to transaction processing. Now, there is a nascent move towards knowledge process outsourcing (KPO).

BPO stands for business process outsourcing and KPO stands for knowledge process outsourcing.

An advanced stage of BPO is KPO (knowledge process outsourcing). KPO includes those activities that require greater skill, knowledge, education and expertise to handle. For example, whereas an insurance company might outsource data entry of its claims forms as part of a BPO initiative, it may also choose to use a KPO service provider to evaluate new insurance applications based on a set of criteria or business rules; this work would require the efforts of a more knowledgeable set of workers than the data entry would.

Unlike in BPO where the focus is on executing standardized routine processes, KPO involves processes that demand advanced information search, analytical, interpretation and technical skills as well as some judgment and decision making. Examples of KPO functions are intellectual property or patent research, R&D in pharmaceuticals and biotechnology, data mining, database creation, and a range of analytical services such as equity research, competitive intelligence, industry reports and financial modeling. Many of these activities lend themselves to remote execution from anywhere.

Typical users of KPO services include market research and consulting firms, investment banks and financial services institutions, industry associations, media, publishing and database firms, and corporate planning departments of large Fortune 500 companies. Several global players such as McKinsey, Goldman Sachs, Reuters, IMS Health, Harris Interactive, Ipsos, Maritz, AC Nielsen, TN0S and the WPP group are already using India as a remote base.

The KPO Value Chain Typically, the extent of off shoring is a function of the degree of e-enablement possible and the quality of the human capital required. Some activities such as paralegal and medical transcription require low quality human capital as compared to activities such as data mining and analysis, engineering design and e-learning. The latter are also highly amenable to IT enablement. Other services such as legal consulting, intellectual property research and strategic consulting require the highest level of human capital and are the least amenable to IT enablement. A veritable gold mine Companies in the KPO space thus need to make the transition from offering services that require low human capital quality and low IT enablement to those that require a high degree of human capital and IT enablement. The National Association of Software and Service Companies projects that the total global off shoring market opportunity by 2008 will touch $141 billion. Of this, data search, integration and management will account for $18 billion. Medical, legal content and associated services represent an opportunity of $2 billion. However, Scope e-Knowledge Center estimates that only 45-50 per cent (about $65-70 billion) of the total off-shoring opportunity is likely to be realized even by 2010. According to Scope, the global offshore BPO (non-IT) revenue in fiscal 2003 was close to $9 billion and this is expected to grow by about 35 per cent a year through 2008.

### 7.2.2 OBJECTIVE OF BPO / KPO

The objective of BPO includes:

- To reduce the cost of operations by delegating the non – core activities to a third – party service provider.
- To put the resources available with the organization to better use thereby increasing its profitability.
- To avail the specialized services of the third – party service provider.
- To enable the organization to focus exclusively on core services.
- To strengthen strategic business relationship with a number of organizations. This can ensure consistently economical service for a long period of time.
- TO free management from day – to – day operations
- To increase flexibility to meet changing business conditions.

## 7.3 LPO (LEGAL PROCESS OUTSOURCING)

Legal outsourcing, also known as Legal Process Outsourcing (LPO) refers to the practice of a law firm or corporation obtaining legal support services from an outside law firm or legal support services company (LPO provider). When the LPO provider is based in another country the practice is called off shoring and involves the practice of outsourcing any activity except those where personal presence or contact is required e.g. appearances in court and face-to-face negotiations.

When the LPO provider is based in the same country the practice of outsourcing includes agency work and other services requiring a physical presence such as court appearances. This process is one of the incidents of the larger movement towards outsourcing. The most commonly offered services have been agency work, document review, legal research and writing, drafting of pleadings and briefs, and patent services.

The concept of legal process outsourcing is based on the division of labour principle, prevalent in law firms, where various time consuming and onerous processes like due diligence are delegated to paralegals, document reviewers or interns. This allows the firm to address the various legal issues that arise on a daily basis while being able to streamline productivity.

The process involves a contract, with due consideration, between both firms.

The following are the various methods by which the process could be initiated:

- **Direct Contract** – This is the most straight forward means of establishing contact. The firm needing legal services directly approaches the legal process outsourcing vendor.

- **Managed Outsourcing –** This is a case where the firm establishes contact with a legal process outsourcing vendor and retains a traditional law firm to coordinate the vendor's activities and to ensure quality control.

- **Required Outsourcing** – This form of outsourcing occurs when the firm mandates a certain level of outsourcing in the legal process, either to reduce costs or to fulfill statutory requirements.

- **Multi-sourcing** – This involves segregating the work assigned to LPO providers in order to reduce risk and take advantage of each provider's strengths. This approach is helpful in cases where expertise is required on matters of jurisdiction and merits having more than one provider “on deck” also allow a service recipient to obtain more favorable pricing. On the other hand, multi-sourcing can be more complicated than other approaches. Successfully managing multiple, competing providers requires strong and effective governance procedures.

**Check Your Progress**

1. Define the following terms:
   a. BPO
   b. KPO
   c. LPO
   d. Multi-sourcing
   e. Managed outsourcing
   f. Required outsourcing
   g. Off shoring

2. **Fill in Blanks.**

a. ___________ involves delegation of internal business process to an outside service provider who owns, administers and manages it according to pre-decided parameters.

b. ___________ enables the management to hand over non-core activities of the business to a third party.

c. ___________ is, essentially, high-end business process outsourcing.

e. ___________Outsourcing which includes internal business functions such as human resources or finance and accounting.

3. Distinguish between BPO and KPO.

## 7.4 ERP (Enterprise Resource Planning)

### 7.4.1 MEANING

Enterprise Resource Planning (ERP) systems integrate internal and external management information across an entire organization embracing finance/accounting, manufacturing, sales and service, customer relationship management, etc. ERP systems automate this activity with an integrated software application. The purpose of ERP is to facilitate the flow of information between all business functions inside the boundaries of the organization and manage the connections to outside stakeholders.

ERP systems can run on a variety of computer hardware and network configurations, typically employing a database as a repository for information.

### 7.4.2 Origin of "ERP"

In 1990 Gartner Group first employed the acronym ERP as an extension of material requirements planning (MRP), later manufacturing resource planning and computer-integrated manufacturing. Without supplanting these terms, ERP came to represent a larger whole, reflecting the evolution of application integration beyond manufacturing. Not all ERP packages were developed from a manufacturing core. Vendors variously began with accounting, maintenance and human resources. By the mid–1990s ERP systems addressed all core functions of an enterprise. Beyond corporations, governments and non–profit organizations also began to employ ERP systems.

### 7.4.3 Expansion

ERP systems experienced rapid growth in the 1990s because the year 2000 problem and introduction of the Euro disrupted legacy systems. Many companies took this opportunity to replace such systems with ERP.

ERP systems initially focused on automating back office functions that did not directly affect customers and the general public. Front office functions such as customer relationship management (CRM) dealt directly with customers, or e–business systems such as e–commerce, e–government, e–telecom, and e–finance, or supplier relationship management (SRM) became integrated later, when the Internet simplified communicating with external parties.

### 7.4.4 Characteristics

ERP (Enterprise Resource Planning) systems typically include the following characteristics:

* An integrated system that operates in real time (or next to real time), without relying on periodic updates.
* A common database, which supports all applications.
* A consistent look and feel throughout each module.
* Installation of the system without elaborate application/data integration by the Information Technology (IT) department.

### 7.4.5 Advantages

The fundamental advantage of ERP is that integrating myriad businesses processes saves time and expense. Management can make decisions faster, and with fewer errors. Data becomes visible across the organization. Tasks that benefit from this integration include:

* Sales forecasting, which allows inventory optimization.
* Chronological history of every transaction through relevant data compilation in every area of operation.
* Order tracking, from acceptance through fulfillment
* Revenue tracking, from invoice through cash receipt
* Matching purchase orders (what was ordered), inventory receipts (what arrived), and costing (what the vendor invoiced)

* ERP can greatly improve the quality and efficiency of a business. By keeping a company's internal business process running smoothly, ERP can lead to better outputs that benefit the company such as customer service, and manufacturing.

* ERP provides support to upper level management to provide them with critical decision making information. This decision support allows the upper level management to make managerial choices that enhance the business down the road.

* ERP also creates a more agile company that can better adapt to situations and changes. ERP makes the company more flexible and less rigidly structured in an effort to allow the different parts of an organization to become more cohesive, in turn, enhancing the business both internally and externally.

### 7.4.6 Disadvantages

* Customization is problematic.
* Re-engineering business processes to fit the ERP system may damage competitiveness or divert focus from other critical activities.
* ERP can cost more than less integrated or less comprehensive solutions.

* High ERP switching costs can increase the ERP vendor's negotiating power, which can result in higher support, maintenance, and upgrade expenses.
* Overcoming resistance to sharing sensitive information between departments can divert management attention.
* Integration of truly independent businesses can create unnecessary dependencies.
* Extensive training requirements take resources from daily operations.
* Due to ERP's architecture (OLTP, On-Line Transaction Processing) ERP systems are not well suited for production planning and supply chain management (SCM)
* Harmonization of ERP systems can be a mammoth task (especially for big companies) and requires a lot of time, planning and money.

## 7.5 SUMMARY

Generally the business processes are information technology-based, and are referred to as ITES-BPO. Here ITES stands for Information Technology Enabled Service. Knowledge process outsourcing (KPO) and legal process outsourcing (LPO) are some of the sub-segments of business process outsourcing industry.

BPO is distinct from information technology (IT) outsourcing, which focuses on hiring a third-party company or service provider to do IT-related activities, such as application management and application development, data center operations, or testing and quality assurance.

An advanced stage of BPO is KPO -- knowledge process outsourcing. KPO includes those activities that require greater skill, knowledge, education and expertise to handle.

**Legal outsourcing**, also known as **legal process outsourcing** (LPO) refers to the practice of a law firm or corporation obtaining legal support services from an outside law firm or legal support services company (LPO provider).

## 7.6 QUESTIONS

1. What is ITES?
2. What is BP O? Explain its objectives.
3. What is KPO? Explain its objectives.
4. What Is LPO? Explain its scope.
5. What is EPR? Explain its scope.
6. Write short notes:
   a. BPO
   b. LPO
   c. ERP
7. **State whether following statement are True of False.**

a. ITES, Information Technology Enabled Service, is defined as outsourcing of processes that can be enabled with information technology and covers diverse areas like finance, HR, etc.

b. BPO enables the management to concentrate on non core business areas.

c. Legal Process Outsourcing (LPO) is one of the value added BPO services.

d. Enterprise resource planning (ERP) systems integrate internal and external management information across an entire organization, embracing finance/ accounting, manufacturing, sales etc.

e. Back Office Outsourcing includes customer related services such as contact centre services.

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# Unit-8

## BANKING AND INSURANCE SECTOR

**Unit Structure :**



## 8.0 OBJECTIVES

After studying the unit students will be able to:

- Understand the meaning, features and advantages of ATM.
- Know the meaning, features and advantages of Debit card
- Explain the meaning, advantages and disadvantages of Credit card.
- Elaborate the term Internet banking.
- Discuss the impacts of FDI on Banking and Insurance sector in India.
- Explain about the Opening of Insurance Sector for Private players.

## 8.1 INTRODUCTION

The Banking and Insurance sector in India has always been the most preferred avenues of employment. In the current decade the Banking sector has emerged as a resurgent sector in the Indian economy.

Today, banks have diversified their activities and are getting into new products and services that include opportunities in ATM card, Debit card, credit cards, Internet banking, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc. Further, most of the leading Indian banks are going global, setting up offices in foreign countries, by themselves or through their subsidiaries. Liberal policies, Government support and huge development in other economic segments have made the Indian banking industry more progressive and inclusive with regard to global banking standards.

A well developed and evolved insurance sector is a boon for economic development of a country. It provides long-term funds for infrastructure development and concurrently strengthens the risk-taking ability of the country. India's rapid rate of economic growth over the past decade has been one of the most significant developments in the global economy. The penetration is quite less in India as against its peers and hence, the Indian insurance market provides ample opportunities to domestic and international players to harness the profitable avenues in the same. India tops all the countries in terms of life insurance density, according to the World Economic Forums' Financial Development Report 2012.

The banking and insurance industry is challenged by competitive pressures, changes in customer loyalty, stringent regulatory environment and entry of new players, all of which are pressuring the organizations to adopt new business models, streamline operations and improve processes.

## 8.2 AUTOMATED TELLER MACHINE (ATM)

### 8.2.1 MEANING:

An Automated Teller Machine or Automatic Teller Machine (ATM), is a computerized telecommunications device that provides the clients of a financial institution with access to financial transactions in a public space without the need for a cashier.

ATM is a computerized machine that enables a bank's customers to access their account for withdrawing cash, and to carry out other financial and non-financial transactions without visiting the bank's branch.

All banks have introduced the ATM facility. Banks provide on-site and off-site ATM facility to their customers. It is to be noted that the total number of ATMs of public sector banks is quite higher as compared to new private sector banks and foreign banks in India.

### 8.2.2 Procedure of ATM transactions

For transacting at an ATM, the customer inserts or swipes the card in the ATM and enters personal identification number (PIN) issued by the bank. The PIN is the numeric password which is provided to the customer by the bank while issuing the card.

### 8.2.3 Types of Cards:

There are various types of cards that can be used at an ATM. The cards include:

- ATM Debit Cards
- ATM Credit Cards
- ATM Prepaid Card

### 8.2.4 Features of ATM:

The main features of an ATM are:

**1. Services:** The ATM provides various facilities to the bank's customers:

- Account balance information
- Transfer of funds from one account to another.
- Cash withdrawal
- Cash deposit
- Mini bank statement of bank transactions.

**2. Multipurpose:** The ATM card of one bank can be used at any bank ATM within India under the Shared Payment Network System. For instance, a person holding Bank of Baroda ATM can withdraw the money from SBI ATM. The amounts are accordingly adjusted by the banks. The savings bank account holders can transact a maximum of five transactions free in a month at other bank's ATM. Beyond the five transactions, the customer can be charged by his/her bank.

**3. Cash Withdrawal:** Banks issuing ATM card impose withdrawal limits. The customer is informed of the withdrawal limit. Beyond the withdrawal limit, the customer cannot withdraw the cash.

**4. Customer Support:** Customers can complain the bank regarding deficiency in ATM services. For instance, if a customer is wrongly debited for amount which he has not withdrawn, he/ she can complain to the bank. As per RBI instructions banks have to resolve customer complaints by re-crediting the customer's account within 7 working days from the date of complaint. The customer can take recourse to the local Banking Ombudsman if the complaint is not resolved by his/her bank within the stipulated period.

### 8.2.5 Advantages of ATM:

**1. 24 x 7 Banking Services:** The customers can avail of 24 x 7 banking services. For instance, the introduction of ATMs has enabled the customers to obtain 24 x 7 banking services with reference to withdrawal of money, transfer of funds, etc. Customers no longer have to wait in queue to withdraw money nor they have to operate the services only during the banking hours. There fore, ATMs not only, provide quick service but also convenience to the customers.

**2. Convenience to Customers:** The ATMs has reduced the physical presence of customers in the bank during the banking hours. The customers need not wait in queue to withdraw cash from the bank. Due to ATM, there are fewer customers in the bank during the banking hours, and therefore, the customers that visit bank get quick service.

**3. Travel without Cash:** ATM facilitates withdrawal of cash from the bank account whenever and wherever a customer needs it. This means one can travel anywhere without cash. If the location has ATM, one can withdraw money with the help of ATM card. Therefore, an ATM card holder does not have the botheration to carry lots of cash during long distance travel, especially while on a holiday tour.

**4. Good Quality Currency Notes:** ATM withdrawals enable a customer to get good quality or fresh currency notes from the ATM machine. The customer may not get soiled notes from the ATM machine.

## 8.3 DEBIT CARD

### 8.3.1 MEANING

A debit card is a plastic card issued by a bank to its customers. With the help of debit card, a customer can make payment for goods and services, and the amount gets deducted from the bank balance of the bank's customer. Thus, a debit card can be used as an alternative payment method to cash when making purchases.

### 8.3.2 Features of Debit Card

**1. Easier to Obtain Debit Card:** Obtaining a debit card is often easier than obtaining a credit card. For issuing credit card, the bank has to check the credit worthiness of the customer. In case of debit card, there is no need for such verification of credit worthiness.

**2. Personal Identification not Required:** Using a debit card instead of writing cheques saves you from showing identification or giving out personal information at the time of the purchase transaction at the payment counter of the merchant.

**3. Cash-less Transactions:** Using a debit card frees you from carrying cash or a cheque book. Using a debit card means you no longer have to carry travelers' cheques or cash when you travel.

**4. Easily Accepted by Merchants:** Debit cards may be more readily accepted by merchants than cheques, especially in other states or countries wherever your card brand is accepted.

**5. Threshold Limit:** Use of debit card is not usually limited to the existing funds in the account to which it is linked. Most banks allow a certain threshold over the available bank balance, which can cause overdrawn amount lees.

**6. Universal Usage:** Like credit cards, debit cards also have universal usage. For instance, the international debit card issued by Bank of Baroda is accepted at over 32000 Visa Electron ATMs in India and 1 million ATMs worldwide. The card is also accepted at 3,50,000 merchant outlets in India and around 29 millions globally.

### 8.3.3 Advantages of Debit Card

**1. Convenience in Payments:** The debit card provides tremendous convenience in payments and helps the customers reduce the amount of cash they need to carry. Besides that customer always stays in control of his finances as he can spend only what he has in his account. It also gives an unparalleled access to his account, whenever he wants, wherever he goes.

**2. No Interest / service Charges:** in case of debit card, there is any interest charge and service charge. However in the case of credit cards, there are interest charges on the unpaid balances at the end of the month, and sometimes even service charges.

**3. Suits to the Indian Psyche of Limited Expenditure:** Generally, the debit cards suits the Indian psyche of limited expenditure. Most of the Indians do not want to spend lavishly. The debit card allows only limited payment, and that too upto the balance amount in the bank account. However, credit cards may encourage expenditure beyond the means of the customer, because under credit card, line of credit is offered by the bank to the customer.

**4. Instant Withdrawal of Cash:** Debit cards allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash. Therefore, debit cards can enjoy all the advantages of ATM cards. Merchants (shopkeepers) may also offer cash- back facilities to customers, where a customer can withdraw cash along with then-purchase.

**5. Less Identification and Scrutiny by Merchants:** Like credit cards, debit cards are accepted by merchants with less identification and scrutiny than personal checks, thereby making transactions quicker and hassle free.

**6. Payment is not Dishonoured:** Payment through the debit card is always honoured by the bank upto the balance of the account holder. Therefore, merchants accepting the debit cards do not have to bother about the honouring of payment. However, in the case of personal cheque, the payee may not get the payment due to dishonour of cheque.

## 8.4 CREDIT CARD

### 8.4.1 MEANING

A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services. The issuer of the card creates a revolving account and grants a line of credit to the customer or user. The line of credit enables the user to make payment to a merchant.

### 8.4.2 Advantages of Credit Card

1. **Convenience:** The main benefit to credit card holder is convenience. Compared to debit cards and cheques, a credit card allows short term credit to customers who need not calculate the balance in her/her account before each transaction. However, the total amount to be paid to the merchant does not exceed the maximum credit line for the card.

2. **Rewards:** Many credit cards offer rewards and benefits package. For instance, credit cards can offer reward points which may be redeemed for cash, or for products. Users of credit cards can get special discounts which customers who make cash payment may not get, such as at petrol pumps for fuel, or at restaurants/hotels, booking of air tickets, etc.

3. **Benefits to Merchants:** For merchants, a credit card transaction is often secure than cheque payment. This is because; the issuing bank commits to pay the merchant the moment the transaction is authorized regardless of whether the customer defaults on the credit card payment.

4. **Protection of Purchases:** Credit cards may also offer you additional protection if something you have bought is lost, damaged, or stolen. Both your credit card statement (and the credit card company) can vouch for the fact that you have made a purchase if the original receipt is lost or stolen. In addition, some credit card companies offer insurance on large purchases.

5. **Emergencies:** Credit cards can also be useful in times of emergency. For instance, if there is an accident or breakdown of your car, and you need money to face emergency situation, the credit card may come to the rescue.

6. **Universal Acceptance:** Most of the credit cards are accepted internationally. This means, a holder of credit card can use it for make purchases within the country, as well as in international market subject to a certain limit.

### 8.4.3 Disadvantages of Credit Card

1. **Overspending:** Credit cards can be dangerous for individuals who are not good at budgeting. The temptation is very

easy to overspend because you don't need to pay for your purchases upfront. Regardless of how much money is actually in your bank account, you can make purchases up to your maximum credit card limit. Somehow signing a piece of paper at the time of purchase doesn't always feel like you are actually spending money. This is exactly the mentality that the credit card companies want users to adopt.

Especially the youngsters become compulsive buyers and tend to overspend because of the ease of using credit cards. Cards can encourage the purchasing of goods and services people do not need or cannot really afford.

**2. High Interest Rates and Increased Debt:** Credit card companies charge you an enormous amount of interest on each balance that you don't pay off at the end of each month. The interest rate on unpaid balance is about 20% p.a. This is how the credit card companies make their money and this is how most people in India and other countries get into debt and even bankruptcy.

**3. Credit Card Fraud:** Like cash, sometimes credit cards can be stolen. They may be physically stolen (if you lose your wallet) or someone may steal your credit card number (from a receipt, over the phone, or from a Web site) and use your card to rack up debts. The good news is that, unlike cash, if you realize your credit card or number has been stolen and you report it to your credit card company immediately, you will not be charged for any purchases that someone else has made.

## 8.5 INTERNET BANKING

### 8.5.1 Meaning

Internet banking is also called as online banking or e-banking. It allows customers of a bank to conduct banking transaction through a website operated by the bank.

### 8.5.2 Customer's Access to On-line Banking

To access bank's online banking facility, a customer must have personal internet facility. The customer must register with the bank for on-line banking. The bank allocates customer number and the customer must set up password. To access online banking, the customer needs to go the bank's website, enter the online banking facility using the customer number and password.

### 8.5.3 Internet Banking Services

The internet banking services can be divided into two groups:

* **Transactional services** like hind transfer, payment of bill, investment relating to purchase or sale, loan application and transactions.

* **Non-transactional services** like stop payment of a cheque, obtaining online statements of banking transactions, ordering for a cheque book, viewing account balances, and so on.

### 8.5.4 Advantages of Internet Banking:

1. **Convenience to Customers:** Internet banking provides convenience to customers to undertake banking transactions. Customers can undertake banking transactions while at home, office, or even during traveling.

**2. 24 x 7 Banking**: Internet banking is available all the time, i.e., 24 x 7. One can undertake banking throughout the year at any time of the day or even at night. The only thing which one needs is internet facility and registration with the bank for on-line facility.

**3. Monitoring the Account:** Internet banking enables the customer to monitor the banking transactions at any time. This facility keeps the bank account safe. The customer can come to know of any fraud before it is too late. If fraud is noticed, the customer must immediately report to the bank.

**4. Bill Payment:** The bill payment in respect of electricity bill, house maintenance bill, mobile bill, etc., can be done efficiently with the help of on-line banking facility. Under standing instructions, a bank can directly make payment to the creditors. Due to efficient bill payment system, a customer need not wait in a queue to pay bills. Also, a customer need not keep receipts of all bill payments, as one can easily view all the payments through the net.

**5. Endorsement of Bank's Products:** Internet banking is also a great medium for the banks to endorse their products and services. The products/services include loans, investment options, etc.

**6. Fast and Efficient:** Online banking is very fast, effective and efficient. Over the Internet, you can make transactions that are typically executed and performed at a much faster pace than at ATM's. These services also give you the option of handling several different bank accounts from one site itself. Most online banking sites are compatible with programs like Microsoft Money and Quicken, which makes management of assets more effective.

### 8.5.5 Disadvantages

1. **Technology Related Problems:** Internet banking may be affected due to technology related problems. For instance, one cannot use internet facility, if the bank's server is down. There may be also loss of internet connectivity in between the transaction operations.

2. **Initial Difficulty**: Understanding the usage of internet banking might be difficult for a beginner at the first instance. There are some sites which offer a demo as to how to use internet banking facility. However, a person who is new to internet banking might face some difficulty at the beginning to operate the facility. Therefore, there is lack of adaptability to internet banking in India.

3. **Need for Internet Connection**: One cannot operate on-line banking transactions, when there is no internet facility. Therefore, those who do not have internet connection would not be able to take the advantage of on-line or internet banking.

4. **Hacking:** Security of transactions is a problem. Hackers may obtain account information of the bank's customers and hack the account. This means hackers may commit internet fraud and siphon off money from the customer's bank account.

5. **Password Security**: For operating on-line banking, password is a must. The customer needs to memorize the password rather than recording it on diaries or somewhere else. There are chances that the password may be misused when someone gets to know it. This may create a loss to the customer.

6. **Lack of Trust**: The biggest problem is that most people lack trust. Quite often, a customer wonders whether or not he/she performed the on-line banking transaction properly. Of course, you can overcome any uneasiness by printing the transaction receipt. This receipt will-conform whether or not your transaction has gone through successfully.

**Check Your Progress**

1. Define the terms
   a. ATM
   b. Debit card
   c. Credit card
   d. Internet Banking
   e. PIN

2. Distinguish between Debit card and Credit card.
3. Fill in the blanks:
   a. Payment of bill is a ----------------------service provided by Internet banking.
   b. Stop payment of a cheque, obtaining online statements of banking transactions, ordering for a cheque book are the ----------------------service provided by Internet banking.
   c. To access bank's online banking facility, a customer must have -----------------------------------.
   d. Internet banking is also called as --------------or ------------.
   e. The various types of ATM cards are ----------------------------.

f. As per RBI instructions banks have to resolve customer complaints relating to ATM by re-crediting the customer's account within ------------- working days from the date of complaint.

## 8.6 OPENING OF INSURANCE SECTOR FOR PRIVATE PLAYERS

### 8.6.1 INTRODUCTION

In 1991, when rapid changes took place in many parts of the Indian economy, nothing happened to the institutional structure of insurance: it remained a monopoly of the Government.

In 1993, Malhotra Committee was set up headed by Mr. R. N. Malhotra (the then Governor of the Reserve Bank of India).. In 1994, Malhotra Comihittee recommended for the liberalization of the Indian insurance. sector. The Committee recommended that the insurance sector to be opened to the private-sector.

Only in 1999, a new legislation came into effect signaling a change in the insurance industry structure. Therefore, in 1999 private insurance companies were allowed back into the business of insurance with a maximum of 26% FDI.

In 1999, The IRA bill is renamed the Insurance Regulatory and Development Authority (IRDA) Bill which was cleared by the Govt. In 2000 IRDA Bill became an Act with the assent of the President of India.

### 8.6.2 Private Firms in the Indian Insurance Sector

The Indian Insurance Industry has undergone several changes in trends and policies in the year 2010. The $ 41 billion industry is considered the fifth largest life insurance market, and is-growing at a rapid pace of 32-34% annually, according to the Life Insurance Council.

State-owned Life Insurance Corporation (LIC) of India has recorded about 37% growth in its new business premium to US$ 15.1 billion during April to January FY 2010, the data from IRDA stated. Overall, 23 life insurers in the country collectively mopped US$ 21.35 million as new first year premium during the period, a 26% increase from US$ 17 billion during April-January 2009-2010.

Out of this, the 22 private life insurers together accounted for US$ 6.26 billion worth of new business in April-January 2010-11, compared to US$ 5.91 billion in the year ago period, a growth of about 6%.

Among the private life insurance players, SBI Life saw its premium collections from new business grew by 9% to US$ 1.1

billion during the period, while ICICI Life's premium collections from new businesses grew to US$ 1.15 billion April-January 2010-11, from US$ 964 million during the same period last year.

**However only 0.2% of population covered**

Currently, in India only two million people (0.2% of the total population of 1 billion) are covered under Mediclaim, whereas in developed nations like USA about 75% of the total populations are covered under some insurance scheme. With more and more private companies in the sector, the situation may change soon.

India insurance is a flourishing industry, with several national and international players competing and growing at rapid rates. Thanks to reforms and the easing of policy regulations, the Indian insurance sector has been allowed to flourish, and as Indians become more familiar with different insurance products, this growth can only increase, with the period from 2010 - 2015 projected to be the 'Golden Age' for the Indian insurance industry.

1. HDFC Standard Life.
2. Tata-AIG General
3. BirlaSunLife
4. Bajaj-Allianz General
5. SBI Cardiff Life
6. ICICI-Lombard and so on.

## 8.7 IMPACT OF FDI ON BANKING AND INSURANCE SECTOR IN INDIA

Foreign direct investment (FDI) is direct investment into production in a country by a company in another country, either by buying a company in the target country or by expanding operations of a existing business in that country.

### 8.7.1 Investment up to 74% in private banks

"The Indian government brought into effect liberalized norms for foreign direct investment (FDI) in the financial sector allowing up to 74 percent investment in private banks.

At all times, at least 26 percent of the paid up capital will have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank. The guidelines would apply to all existing private sector banks.

The notification clarifies that in the case of FII, the earlier restriction of investment limit of 49 percent with the approval of the board of directors followed by a special resolution by the general body would remain.

### 8.7.2 NRIs-

In the case of NRIs, individual holding is restricted to five percent and the aggregate limit cannot exceed 10 percent. However, NRI holding can be allowed up to 24 percent, provided the banking company passes a special resolution to that effect in the general body.

In the post liberalization period, the Government of India has allowed FDI in private banking sector upto 74% and in the private insurance sector upto 26% of the total equity. The FDI in insurance sector may increase to 49% in the near future, once the Parliament clears the proposal.

### 8.7.3 Importance (Positive Impact) of FDI

1. **Transfer of Technology:** The foreign partner transfers technology and process to the domestic. The transfer of technology would help to improve quality, improve quantity (due -to speed) and reduction of costs. This helps to improve productivity of the domestic banks / insurance firms.

2. **Professional Skills:** The foreign partner may depute professional mangers to assist the management of the domestic bank / insurance firm. The foreign bank / insurance firm may also provide training to the staff of its domestic partner. This will help to improve efficiency of the personnel, which in turn can generate higher returns.

3. **Economic Development:** FDI in banking / insurance sector facilitates economic development of a nation. Due to FDI, the domestic bank can provide more funds (loans/advances) to firms. This increases the production of goods and services, which in turn enhances economic growth of the nation.

4. **Employment:** FDI helps to create direct and indirect employment.

* Direct employment in the banks / insurance firms where FDI is deployed.

* Indirect employment in the sectors in primary and secondary sectors. Due to employment, the purchasing power of the employed increases and therefore, they can enjoy higher standard of living.

5. **Corporate Image:** Foreign banks / insurance firms invest equity in select domestic banks / insurance firms. Therefore, the corporate image of the domestic banks (in which FDT is undertaken) improves not only in the domestic market but also in international markets.

6. **Revenue to Government:** Due to FDI, the domestic bank / insurance firm can lend more funds in the market to provide insurance. The business firms can expand their business activities due to the credit / insurance provided by the banks / insurance firms. Expansion of business may enable to earn higher returns. As a result the Govt, may earn higher revenue by way of direct and indirect taxes.

7. **Customer Service:** FDI brings in modernization and professionalism. Therefore, customers get better services due to professional approach of the staff.

8. **Entry in Overseas Markets:** FDI may enable private banks / insurance firms to set up branches abroad. The Indian banks can take the advantage of goodwill of the foreign partner to set up branches in overseas markets. Setting up bank branches / insurance branches abroad facilitates the growth and expansion of Indian players.

9. **Improvement in Efficiency:** FDI may generate higher efficiency in the banking / insurance sector. The efficiency of the staff may improve due to the following reasons:

* Training and development.
* Technology up gradation.

### 8.7.4 Problems faced by the Indian Banking Sector:

- Inefficiency in management
- Instability in financial matters
- Innovativeness in financial projects or schemes
- Technical development happening across various foreign markets
- Non – performing areas or properties
- Poor marketing strategies
- Changing financial market conditions

## 8.8 SUMMARY

The services provided by banks have become more easy and convenient. ATM, Debit card, Credit card, Internet banking are some of the popular services.

ATM is a computerized machine that enables a bank's customers to access their account for withdrawing cash, and to carry out other financial and non-financial transactions without visiting the bank's branch.

Credit cards are financial instruments, which can be used more than once to borrow money or buy products and services on credit. Basically banks, retail stores and other businesses issue these. Credit card is a way to "pay later."

Debit cards operate like cash or a personal check. Debit card is a way to "pay now." When we use a debit card, our money is quickly deducted from the bank account. Debit cards are accepted at many locations, including grocery stores, retail stores, gasoline stations, and restaurants. It's an alternative to carrying a checkbook or cash. With debit card, we use our own money and not the issuer's money. In India almost all the banks issue debit card to its account holders.

Internet banking or E-banking allows customers of a financial institution to conduct financial transactions on a secure website operated by the institution. Customers can check the account, transfer the funds or make various payments through internet banking.

## 8.9 QUESTIONS

1. Write a note on ATM.
2. Explain the advantages and limitations of ATM.
3. What is a debit card? Explain its advantages and disadvantages.
4. What is credit Card? Explain its advantages and disadvantages.
5. What is internet banking? Explain internet banking in India.
6. What are the various services which could be availed through e – banking.
7. Write a note on 'opening of insurance sector for private players.'
8. What is FDI? Explain its impact on banking sector in India.
9. What is FDI? Explain its impact on insurance sector in India.

**10. State whether following statement are True of False.**

a. An Automated Teller Machine or Automatic Teller Machine (ATM), is a computerized telecommunications device that provides the clients of a financial institution with access to financial transactions in a public space with the need for a cashier.

b. In a debit card you have to pay only one time fee with no extra interests or surcharges like late fee.

c. Foreign direct investment (FDI) is direct investment into production in a country by a company in another country, either by buying a company in the target country or by expanding operations of an existing business in that country.

d. Foreign Direct Investment (FDI) in the insurance sector is capped at 36 percent.

e. The debit card encourages lavish expenditure as compared to credit card.

f. Most banks in India do not issue AMT cards.

g. Internal banking offers banking services only to fixed hours.

h. At present, FDI is allowed only in the case of single brand retail.

**11. Fill in the blanks.**

a. ___________ATMs are typically more advanced, multi-function machines that complement a bank branch's capabilities.

b. A ___________card is an electronic card issued by a bank which allows bank clients access to their account to withdraw cash or pay for goods and services.

c. foreign Direct Investment is seen as an important source of inflows.

d. ___________ Banks have the largest number of ATMs in India.

f. ___________ is issued to customers who have a bank balance.

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# Unit-9

## LOGISTICS AND NETWORK

**Unit Structure :**



## 9.0 OBJECTIVES

After studying the unit students will be able to:

- Know the meaning and elements of Logistics.
- Understand the meaning of Networking.
- Explain the importance of Networking.
- Elaborate the challenges of Networking.

## 9.1 INTRODUCTION TO LOGISTICS

Logistics is the management of the flow of resources, between the point of origin and the point of destination in order to meet some requirements, i.e. of customers or corporations. The resources managed in logistics can include physical items as ,food, materials, equipment, liquids and staff as well as abstract items as information. The logistics of physical items usually involves the integration of information flow, material handling, production, packaging, inventory, transportation, warehousing and oftentimes security

## 9.2 MEANING AND DEFINITION

### 9.2.1 MEANING AND DEFINITION

The logistics network is a vast system of companies /organisations, people, technology, activities, information and resources involved in moving a product or service from supplier to customer.

**Philip Kotler defines logistics as** "planning, implementing, and controlling the physical flows of materials and finished goods from the place of origin to the point of use to meet the customer needs at a profit."

**The International Council of Logistics Management defines logistics as** "the process of planning, implementing, and controlling the efficient and effective flow and storage of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption to meet customer requirements."

### 9.2.2 Elements of Logistics:

The elements of logistics network are as follows:

**1. Facility Location and Network Design:** The logistics department must design the location of facilities from where the logistics operations would be carried out and their interconnection.

The logistics department should decide about the location, size and number of logistics facilities like material handling facilities, manufacturing plants, warehouses, wholesale and retail outlets. These aspects of logistics would affect other aspects like levels of inventory, transportation, packaging and delivery.

**2. Information:** Logistics is essentially an information-based activity of inventory movement across a supply chain. Information systems play a vital role in delivering superior service to customers. Use of the Information Technology (IT) tools for information, identification, access, storage, analysis, retrieval and decision support in logistics enables firms to compete effectively.

**3. Customer Order Processing:** The purchase order placed by the buyer contains details of quality and quantity of product, price, delivery schedule, payment terms, and other terms as agreed upon. The customer order processing must verify the following:

* Delivery schedule.
* Location of delivery.
* Specifications of the product.
* Payment terms and conditions including credit period, etc.

**4. Inventory Management:** It is concerned with maintaining enough inventories to meet customer requirements. Inventory management tries, to achieve a balance between customer satisfaction and costs of maintaining inventories. The firm should not maintain too high inventories or too low inventories. If too high inventories are maintained, it would affect working capital requirements, and if too low inventories are maintained, it may affect delivery schedules. Therefore, inventory management is concerned with maintaining the right level of inventory to meet customer requirements at lowest cost.

The following activities are involved in inventory management:

- Analysis of on-hand inventory.
- Communicating the quantity, quality and timing of material requirements with the supply points.
- Obtaining the right quality and quantity of materials at the right time.

**5. Warehousing:** It refers to storage of finished goods until they are delivered in the market. Warehousing is an important element in logistics. It is directly linked to the firm's ability to deliver the desired level of customer requirements. Major decisions in warehousing are:

* Location of warehousing facilities
* Size and number of warehouses.
* Design and layout of warehouses.
* Ownership of warehouses - company owned or hired.

**6. Transportation:** Transportation is the most basic component of logistics. It facilitates the movement of goods from supplier to the buyer. The physical movement of goods can take place through various transportation modes such as air, road, rail, water, and pipeline (for gas). The mode of transportation depends on certain factors such as:

* Cost of transportation.
* Urgency of the product to customers.
* Nature of goods.
* Location of the customer.

**7. Material Handling:** The speed of the inventory movement across the supply chain depends on the material handling methods. Mechanization and automation in material handling enhance the logistics system productivity. Improper method of material handling will add to the product damages and delays in deliveries and incidental overheads. Considerations for selection of material handling system include the volumes to be handled, the speed required for material movement and the level of service to be offered to the customer.

**8. Logistical Packaging:** It is an important element of physical distribution of a product. It differs from product packaging, which is based on marketing objectives. Logistical packaging facilitates protection to the product during transit. Certain decisions have to be taken in respect of logistical packaging such as:

* Materials used for packaging.
* Cost of packaging.
* Design of packaging.
* Marking and labelling.

## 9.3 INTRODUCTION TO NETWORKING

Business networking is leveraging the business and personal connections to bring a regular supply of new business.

Many businesspeople contend business networking is a more cost-effective method of generating new business than advertising or public relations efforts. This is because business networking is a low-cost activity that involves more personal commitment than company money.

Business networking can be conducted in a local business community, or on a larger scale via the Internet. Business networking websites have grown over recent years due to the Internet's ability to connect people from all over the world. Internet companies often set up business leads for sale to bigger corporations and companies looking for data sources.

## 9.4 IMPORTANCE OF NETWORKING

Studies have shown that 27% of new hires at companies often happen as a result of referrals and people believe that 80% of these jobs are the result of some form of networking. Networking can be the simple exchange of information between people at a restaurant or coffee shop, or it can just as easily take place when somebody posts an announcement about a job on a website. Following is the importance of Networking:

**1. Shared Knowledge**

Being a part of a network and sharing ideas leads to shared knowledge. There is usually more than one way of accomplishing1 a goal and receiving feedback and discussing other points of view really expands your knowledge base and allows you to see things from a broader perspective.

**2. Opportunities**

Networking always results in the creation of opportunities, the thing is, you have no idea when or where they may materialize, which is why it's important to be an action taker, ready to seize on a beneficial opportunity when it does come along.

**3. Connections**

People within a network of friends will have connections with many other people they have encountered in their own lives. When someone they know has a need and can benefit from products and services offered by someone within the network, that person will likely get the call.

**4. Promotion**

From blog post to product launches, you have people who will assist you in the promotion of goods and services. This saves you time and removes the risk of over promoting your own content and products. There is also the benefit of additional traffic to your site and an increase in subscribers and sales.

**5. Online business expansion**

Social networking sites like Twitter and Face book are teeming with people and opportunities to connect with others who are traveling a similar path.

Visit their blogs and interact with them, becoming a part of a few communities. This will enhance your flow of traffic and expand your overall online presence

**6. Information**

Information is an outcome of networking. When you go to network parties you are almost guaranteed to gain information. This will give you business leads.

**7. Skills**

Developing skills is a benefit of networking. Networking is a skill in itself. The more you network, the better you do and the more chances there are that you will grow.

**8. Raising your profile**

Being visible and getting noticed is a big benefit of networking. You. can then help to build your reputation as a knowledgeable, reliable and supportive person by offering useful information or tips to people who need it. You are also more likely to get more leads and referrals.

**9. Positive Influence**

The people that you hang around with and talk to do influence who you are and what you do, so it is important to be surrounding yourself with positive, uplifting people that help you to grow and thrive as a business owner.

Networking is great for this, as business owners that are using networking are usually people that are really going for it, positive and uplifting.

**10. Increased confidence**

By regularly networking, and pushing yourself to talk to people you don't know, you will get increased confidence the more you do this. This is really important as a business owner, because your business growth is dependent on talking to people and making connections.

## 9.5 CHALLENGES OF NETWORKING

Following are the challenges of Networking:

**1. Staying ahead**

The business world in no way stops advancing and neither should you. Listen to everybody that has knowledge inside the marketplace and keep and eye out for brand new or approaching modifications in technology. Network marketing is really a rapidly shifting world and you have to be able to stay ahead of the curve for the most financial gain possible.

**2. Collaborating with community forums**

It is necessary to sign up for and collaborate with network marketing community forums. Executives need to use these discussion boards and provide suggestions to genuine problems people might be encountering.

**3. Developing your personality**

Improving your business starts with improving yourself. Work on your mindset along with the way you present yourself to your consumers. In network marketing, people don't purchase items from an organization but from an individual. Pay attention to your physical appearance, the way in which you sound on the phone or your style when you compose e-mails.

**4. Convincing people**

Find ways to connect with the people you might be trying to network with. If they sense that you are simply looking to build your own business, they are not going to be going interested in the opportunity. However, if you show them that networking is going to be mutually beneficial then they are more likely to say yes to your proposals.

**5. Building credibility**

Networking isn't about selling your company from the time you meet. It's about building a sense of credibility about you and then cultivating a relationship. And building credibility requires more than an exchange of business cards and adding one another as connections on Linkedln.

**6. Online & offline**

Going online is a great way to make initial contact, but contact is not enough to create an optimal relationship. Building successful relationships is possible through online networking alone, but face-to-face networking or follow-up tends to work better.

**7. Ongoing Process**

It is of absolute important to remember that networking is an ongoing process. Meeting somebody once does not quite make for an instant solid relationship. You will need to make the continuous effort to re-connect with them..

## 9.6 LOGISTICS SECTOR IN INDIA

The Indian logistics sector faces a number of challenges. The challenges are mainly on account of infrastructural problems. However, there are other issues that pose a challenge to the logistic sector:

**1. The infrastructural bottlenecks:**

Infrastructure is one of the biggest challenges faced by the Indian logistics sector and has been a major deterrent to its growth. Infrastructural problems like bad road conditions, poor connectivity, inadequate air and sea port capacities and lack of development of modes of transports like railways and alternates like inland water transport and domestic aviation have been constant irritants. Due to the infrastructural bottlenecks costs per transaction in Indian logistics sector is very much high compared to those in the developed markets.

Transport by road forms an important component of freight movements within India, with a large chunk of goods, over 65 percent, being moved by road. The poor infrastructure has severely crippled the smooth functioning of logistics operations. With narrow and congested highways, poor surface quality of roads and 40 percent of villages not having access to all-weather roads, the efficiency of the transport system is severely affected.

Pathetic road conditions combined with the fact that India is perhaps one of the least connected regions in the world constitute a major impediment. Poor connectivity via roads and railways to ports, warehouses and logistics hubs is major infrastructural bottleneck. Movement of goods within the country is fraught with delays and risks.

The bulk of Indian foreign trade is carried by sea routes and the existing port infrastructure is insufficient to handle trade flows effectively. The current capacity at major ports is overstretched and their infrastructural upgrades are being made at very slowly pace. While Shanghai's ports can turnaround a container ship in 8 hours, the same ship in Mumbai takes 3 days.

The Indian government has started paying attention to the problems being faced by the logistics sector and has initiated several infrastructural projects to mitigate their woes. Projects like rail freight corridors and development of the inland waterways as a means of developing alternative modes of transport are being planned. Some important steps are being taken in augmenting the rural infrastructure like connecting majority of the habitations with all weather roads, construction of new roads and upgrading of existing ones etc. New port and a large container handling facilities are on the cards. But all these are still not sufficient to cater to the growing needs of the economy.

**2. Delays and Spoilage:**

Huge traffic jams and a large number of documentation have resulted in delays and spoilage of certain goods. In contrast to this, vehicles in western parts of the world move much faster and have swifter and easier documentation. It is to be noted that vehicles in the western parts of the world run at three times the speed of vehicles in India.

**3. Inter-State Check Posts:**

Inter-state check posts, surprise checks and unauthorized hold ups on highways (some due to security reasons while others are to establish the authenticity of the cargo as declared) create problems.

**4. Problems of Warehousing:**

In India, warehousing has also been typically dominated by small players with small capacities and poor deployment of handling, stacking and monitoring technologies. While it has had detrimental effect on almost all sectors, the food sector has been the one that has suffered the most due to low investment in cold storage chains and allied machinery. Erratic power supply have also meant low dependence on technology and a more manual operation.

**5. Problem of Unorganised Sector:**

In India, a major part of transportation is handled by the unorganised sector. It is estimated that about 85% of the road transport facilities are provided by unorganised sector. Due to the unorganised sector presence, there is poor handling and delays in delivery of goods. This is because; the unorganised sector does not adopt professional approach towards their operations.

## 9.7 SUMMARY

Logistics is the management of the flow of resources, between the point of origin and the point of destination in order to meet some requirements.

Facility Location and Network Design, Information, Customers order processing, Inventory management, Warehousing, Transportation, Material handling, Logistical packaging are the elements of Logistics.

Business networking is leveraging the business and personal connections to bring a regular supply of new business.

Networking is important as it leads to shared knowledge, creates opportunities, connects people, promotes goods and services, enhances online business, gains information, develops skills, builds reputation, helps to grow and thrive as a business owner, and increases confidence.

The challenges of Networking are staying ahead, collaborating with community forums, developing personality, convincing people, building credibility, going online and offline, ongoing process.

The Indian logistics sector is facing a number of challenges such as: The infrastructural bottleneck, Delays and spoilages, Interstate check posts, problems of warehousing, problems of unorganized sector.

## 9.8 QUESTIONS

1. What is logistics?
2. What is business networking? Explain its importance.
3. Explain the guidelines for successful networking.
4. What are the challenges of networking?
5. Write a note of Element of Logistics.

**6. State Whether following statement are True of False.**

a. Logistics is the management of the flow of resources, between the point of origin and the point of destination in order to meet some requirements.

b. Networking is about selling your company from the time you meet people.

**7. Fill in the Blanks.**

a. ______ is the science of planning, organizing and managing activities that provide goods or services.

b. Business ________ is leveraging your business and personal connections to bring you a regular supply of new business.

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# Unit-10

## INTRODUCTION TO E - COMMERCE

**Unit Structure :**



## 10.0 OBJECTIVES

After studying the unit students will be able to:

- Understand the meaning and definition of E- Commerce.
- Explain the features of E-commerce.
- Elaborate the functions of E-commerce.
- Know the scope of E-commerce.
- Explain the importance of E-commerce.
- Know the limitations of E-commerce.

## 10.1 INTRODUCTION

Change is the rule of nature and commerce cannot be an exception for it. Literary speaking commerce is trade and aids to trade. In other words buying and selling of goods and services and for the purpose of doing these two activities softly and smoothly, other activities such as transportation, insurance, warehousing, finance, labeling, branding, marketing, advertising etc. are required. The involvement of all these in the process of buying and selling is called commerce.

In fact it is a very old concept and it dates back to human civilization. Since then it started developing from one form to another form (i.e. from barter stage up to the world economy stage) but it hard steady and gradual change which is known as commerce evolution.

At the initial stage of $21^{st}$ century there was introduction of liberalization, globalization and privatization (LPG concept.) it was the drastic change in commerce scenario. Due to this the market became boundary less; the whole world became a single market. Being distances reduce between two countries there was dare need to have speedy and quick communication system with which transaction between two countries or among the countries can easily take place. From the view point of whatever developed technology is used for the purpose of information and transaction is electronic mode information. This change in business system for information is known as E-commerce. That is Electronic commerce. It is revolutionizing way of business and consumer transact across the globe through this way. It is expected that it will grow to a greatest extent in a near future and lots of people connected through.

IT industry has become the most robust industry in the worlds is a part and parcel of economic aspect. It increases productivity, particularly in the developed countries and therefore it is a key driver of global economic growth.

The Information Technology in the business solution are available and affordable for businesses which is both large and small. The adopting it businesses can reduce the product cost, commercial cost, communication cost and services cost. The Indian Information Technology industry is playing very important role in putting India on the globe map. Further, it leads sectors to grow from 4% to 7% during 2009-10 and expected to grow up to 10% in near future. It is also useful for customer relationship. That is why E-commerce has become the need of the time now a days.

## 10.2 MEANING AND DEFINITION.

E-commerce is said to bring about a paradigm shift in the world of trading. It cuts down the channels of intermediaries between the producer and the customer. It reduces the cost of marketing and bring customer closer and closer to the business with the help of ICT i.e. Information, Communications and Technology.

E-commerce is nothing but it is buying and selling of goods and services on the internet, complements traditional trade.

E-commerce can best be described as buying and selling of goods and services over the internet. This includes both B2B and B2C transactions. It is very flexible and keeping pace with the changing world.

It is also known as electronic shopping. It includes doing business online or buying product and services through web store fronts. The product may be trading of any physical product such as car, tractor etc. the services may be distance education, online medical consultation with a hospital outside the country or arranging excursion etc. E-commerce is a business conducted exclusively through an electronic format. It is also a particular type of E-business focusing around individual business transactions that use the net as a medium of exchange. E-commerce is purchasing and selling, perusing and servicing, transferring goods and making payment of products, service and information over the internet, intranets, extranets and other network between and internetworked enabled enterprises and its prospects, customers, suppliers and other business partners. Therefore E-commerce can be considered as a system, as a sales approach, as a strategy, as a technology or a separate business.

“Formulating commercial transaction at a site remote from the trading partner and than using electronic communication to execute that transaction.”

**“David Whitely”**

“The seamless applications of information and communication technology from its point of origin to its end points along the entire value chain of business processes conducted electronically and design to enable accomplishment of business goal”

**“Wigand”**

E-commerce can be broadly defined as any form of business transactions in which the parties interact electronically rather than by physical exchange of documents or direct meeting amongst officials.

It is also defined as a modern business methodology that addresses the desires of firms, consumers and management to cut cost while improving the quality of goods and increasing the speed of services.

In simple we can define E-Commerce as the sharing of business information, maintaining business relationship and conducting business transaction by means of network.

## 10.3 OBJECTIVES OF E-COMMERCE

1. To employ professionally qualified personnel to design the websites, Write the soft ware, create the contents, operate and maintain the site.
2. To improve customer service and increase customer satisfaction.
3. To build websites to develops brands or increase exiting marketing program.
4. To provide product servicing at affordable price.
5. To control hardware and software costs.
6. To reduced supply costs, improve quality and fastest delivery of ordered goods.

## 10.4 FEATURES / NATURES OF E-COMMERCE.

Feature means discussing that particular concept with all aspect. It includes its functions, importance, scope etc. With the help of above noted discussions and definition we can conclude the following features of E-commerce.

1. **UBIQUITY**

Ubiquity means comprehensiveness or it makes anything available anywhere or at anytime. Online shops never close. No doubt online shopping has given setback to traditional businesses in some ways but helped it in other ways. The most favorable thing is clicks-and get the things. You can order online and pick it up at the shop .due to E-commerce business are compelled to adopt online system or vanish from business scenario. Another negative point is that small families are not benefited by this as traditional businesses were serving. But now no companies can made compulsory to the stores a quota for sell as they use made earlier.

**2 GLOBAL REACH**

It is a great feature of e-commerce. Its meaning is by sitting at one place you can make purchase from anywhere in the world. This is an opportunity given to businesses to reach other markets and to billions of potential customers. In case of traditional business advertisements were given through different means like radios, televisions' etc and reaches at the customer's door. But now the web is created and has opened another world for business and advertising. Traditional businesses now advertising on online that is more affordable and reaches to maximum consumers than television or radio. There are some Sites like Google and other which are giving advertising where customer can reach at a click and huge expenses are saved by businesses.

## 3 UNIVERSAL STANDARDS

Universal Standards means standard accepted by universe or worldwide. This is a revolutionary stage accepted by every country throughout the world that they use identical technical standard which help to maintain uniformity of transaction relating to information sharing, e-payment, e-learning etc. It gives us all the ability to connect at the same level and it provides network externalities that will benefit everyone. Universal standards are a part of global reach; so it is one big marketplace, where lower entry costs and minimal search costs as compared to traditional commerce are occurring. So this how e-commerce has benefited to traditional businesses' into improving on their customer service. Anywhere. If Staples does have something you need in stock will actually order it for you and personally deliver it to your door.

## 4 RICHNESS

Richness is the intricacy and satisfaction giving part of the message. And it exists when we think about marketing and other sales premises. In fact at the time of marketing and selling product there is need of inculcating inner feelings which is possible with physical sales. There customer can see product and pay personal attention and feel happy themselves. But now the web and e-commerce has made it possible to deliver the same kind of "feeling" or message without the face to face interaction. And I thought that this has made possible by traditional businesses through greater improvement in their customer service so they can make a traditional shopping experience richer than ever before. The store like Areopostale, DEB and Wal-Mart appoints shopping helpers to enhance customers shopping experience.

## 5 INTERACTIVITY

Interactivity means seller engage customers online without an actual face-to-face communication or experiences but like face to face interactions. This kind of interactivity of e-commerce is quite suitable and beneficial as business interacts on a much large scale. E-commerce can collect information from consumers more easily and efficiently with forms and surveys. There are some businesses which have conducted surveys with all their receipts and offer a discount to the customers in next shopping trip for filling it out.

## 6 INFORMATION DENSITY

Information density gives consumers better quality information and more about customer's .I felt it is part of interactivity. Because most of the companies use to offer buy at best price by giving comparison between two companies prices .as we know that e-commerce prices are more transparent so traditional business are also trying to compete with e-commerce by making traditional shopping more easier with the help of customers information

**7 PERSONALIZATION AND CUSTOMIZATION**

Personalization and customization means giving message as per customers likes preferences, choices, and their needs and wants. There are some websites which designs their homepage with full information of selected products &customers. They also advertise the some products which are matching with customers' needs and requirements. Personalization and customization is very much hard to traditional business to do because it is like richness (complexity and content of message)here traditional businesses must have to set up some specialty shops to satisfy the customers and e-commerce helps to these business to survive and grow in today's business environment by providing personalization and customization facility.

## 10.5 FUNCTIONS OF E- COMMERCE

Following are the functions of E-commerce:

**1. GLOBAL SOURCING:**

It is one of the important features of E-commerce that it has global reach. It means the users of internet are spread out through over the world. With the help of the e-commerce technology has allowed transactions to across national boundaries. It mostly employs temporary workers across all levels such as IT workers, legal services, public relations, and media personnel.

**2. CUSTOMER SATISFACTIONS:**

For any business, customer's happiness is important. They cannot be lured. They much aware of. E-commerce gives top priority to customer's satisfaction by delivering products and services fast. No doubt customer's desires are unpredictable but important to analysis. E-commerce through online research tries to understand the needs and wants of customers and accordingly prepares the business.

**3. FACILITY OF E-MAIL:-**

E-mail continues to be the leading driver of E-commerce. It is commonly used in online communication. Therefore email has emerged as an effective communication medium and marketing device large number of transactions in e-commerce is conducted through email.

**4. ELECTRONIC DATA INTERCHANGE (EDI):-**

it is one of the functions of e-commerce to facilitate the working of an information system called EDI. This information system links a company, with which it has some kind of transactions and enables the data to be transmitted and received without rekeying. It is different from email in the sense that it transmits actual transaction such as transaction date, amount, senders name, receivers name etc. EDI takes place when a business transmits computer-readable data in a standard format to another business.

**5. SAFETY AND SECURED TRANSACTION: -**

E-commerce provides safety and security to business transactions. Nobody should have easy access to the transactions done on the NET. Good amount of privacy is maintained to avoid forging transaction. Confidentiality of transaction is the main element of ecommerce to make it successful.

**6. MOTIVATING BUSINESSMEN:-**

Now a day's most of the businessmen are planning to put their business online. No doubt some research is to be undertaken to find out opportunities on online business and select a business which will help him to achieve his target. If he doesn't have experience then he can use soft ware packages, which are user-friendly and are easily available. With the help this he leads his business to a greater extent and will be able to motivate to customer to buy product and services.

**7. FACILITATES E-BANKING:**

An important aspect of E-commerce is fast growing e-banking. Under e-banking services are provided to customers electronically, which are of two types a) online banking transactions and b) electronic fund transfer.

Online banking means customer can withdraw amount from his account without writing cheque.

Electronic funds transfer means transmission of financial transactions, both debit and credit, between banks and customers or banks and companies.

**8. FACILITATES E-SHARE TRADING:**

In India, physical share trading was existing. In the year 1994 National Stock Exchange introduced electronic share trading. Here, process of trading remains same for both, physical and electronic. The difference is in communication. Under electronic trading transmission of data is from earth station to satellite and back to broker's office and again in reverse direction. So Ecommerce has gained a lot through this prompt and reliable technology.

**9. OTHER FUNCTIONS:**

Ecommerce performs certain functions like e-shopping, providing After Sale Service, e-journals etc. all these functions are giving comfort, convenience and easiness to the customers and business units.

## 10.6 SCOPE OF E – COMMERCE

Scope of E commerce means where E-commerce is implemented or utilized in a field. Now a day it has very vast scope, it is applicable to various functions of day to day activities, for example email, barcodes, World Wide Web or electronic data interchange. To know scope of E-Commerce following points can be discussed.

**1. ONLINE RETAILING:-**

E- Commerce helps to grow online retailing. Online retailers exploit opportunities and do fast business with lower marginal profit. It gives high customers satisfaction and helps to increases total sales. Online transaction lead to increase trust and comfort with ethical business therefore every shoppers trying to opt for online transaction as familiar brand, simplified ordering and return processes availability all the times of goods and services.

**2. ONLINE RESEARCH:-**

Online research is becoming main part of the E-commerce. Paper questionnaire is given on web page and result are automatically posted to a data base, this kind of survey is economical and speedy. These research can be used more visuals and video, such type of collecting information develops interactivity. Online research is reliable and cost effective.

**3. FACILITATES E-PROCUREMENT:-**

Procurements means to fill up or recruit. In a business, business needs two types of materials known as direct and indirect materials. Direct materials are basic to the production and it decides or determines features and capabilities of firm products. It includes Raw materials and machineries. Indirect materials supports the business, it is needed for operations affecting cost. It includes office supplies and spare parts of machineries. E-commerce facilitates procuring these materials electronically

**4. SERVICES OF AGENT:**

the use of agents in E-Commerce has become necessary to provide user friendly E-Commerce solution to customers. For example now a days in such a growing online marketing situation customer needs certain tools to help them to short down the choices of the products. There are certain tools or software programs which called as agent are taking note of it an accordingly as per users preferences matching their choice against the available products which gives maximum satisfaction to the customers.

**Check Your Progress**

1. "Now a day E-commerce is applicable to various functions of day to day activities". Explain.
2. Enlist the functions of E-commerce.
3. "E-Commerce is the sharing of business information, maintaining business relationship and conducting business transaction by means of network". Discuss.

## 10.7 IMPORTANCE OF E-COMMERCE

In today's technological era, E-Commerce plays very important roles as it gives maximum satisfaction in marketing, production, advertising or communication system of business and helps to both customer as well as business man. Besides this there are other functions or benefit given by the E-Commerce is as under.

4. **Connecting all:**

E-Commerce is not an independent but relied on network connectivity. Therefore business unit can expand beyond its geographical location and can be transacted to any part of the world. It has global market therefore there is a increase sales turnover, for example amzon.com is purely internet based book store has developed more than any established book stores.

5. **Locate the product quickly:**

Locate the product quickly ,the title itself indicate its meaning that for finding product immediately there are some search boxes, customer by clicking only once find out the desired or expected product and met his/her needs. This is one of important function of E-Commerce helps customer.

6. **Lower cost**

In a marketing people considers cost as a sensitive parts. E-Commerce lowers the cost. It's effects is customers are able to get products with a discounted price. Here some of the ways with what E-Commerce reduces cost are:

**A. Advertising and marketing:-** these activities will be undertaken on search engine, paper click and some social media traffic which incurs less cost.

**B. Less personnel : -** it means there is a no need of a men to deal with check out, billing, payment or inventory management, therefore there is a cost saving. There is no need of physical assets for a purpose of running business activity like prominent physical location etc..

7. **New customers:**

With the help of E-Commerce new customers can be easily established, it is not necessary that seller need to built brandy and relationship as in the case of physical relationship. It is driven by traffic from search engine.

8. **Large scale operations:**

E-Commerce enjoys the benefit of large scale operations. Economies of large scale mean savings by undertaking large transaction. Under E-Commerce there is a lower co-ordination cost which compels seller to sale goods at low price. The sellers than to earn good profit because of large volume transaction and this is possible because of e-Commerce.

9. **Boost to economy**

E-Commerce giving support to economy to develop at a greater extent by reducing search cost. It's effects is buyers is able to find out best suppliers and seller is also getting needy buyers. Therefore large transaction is going to take place with which economic can develop.

7. **Provide niche marketing :**

Because of the E-Commerce it is possible to a buyer as well as seller to locate niche product. Online it is only matter of the customer for the products in the search engine.

8. **Remain open all the time :**

Store timing are now 24/7/365. E-Commerce websites can run all the time. From the marketer's point of view, this increases the number of order they receive. From the customer's point of view, an "always open" store is more convenient.

## 10.8 LIMITATIONS OF E-COMMERCE

Electronic commerce is also characterized by some technological and inherent limitation, because of this number of people are unable to use such a develop system. It will be clearer with the help of following points.

**1. LACK OF INSPECTION :**

while purchasing on net or online shopping, goods cannot be inspect therefore people don't have the confidence to purchase product online. They go far away from the type of transactions.

**2. LOW COVERAGE :**

it is one of the major disadvantages of E-Commerce that it has low coverage because steel internet facility is not widely spread out in every part of the country therefore very few people are able to take advantages of it. Most of the people are not having personal computer, for that this kind of facilities is very unknown.

**3. UNCERTAIN DELIVERY :**

the time period required for delivery physical product can also be a quit significant in case of E-Commerce. Lot of phone calls and E-Mails may be required till you receive your desired products, further retailing the product and getting the refund can be more difficult and time consuming than physical purchasing.

**4. NOT SUITABLE FOR ALL PRODUCTS :-**

E Commerce purchasing is not suitable to the perishable goods, Jewelries and antiques.

**5. INSECURITIES :-**

Customers are afraid to send their credit card number or the internet, they are having the fear in the mind that the number will be misuse, they feel uncomfortable viewing merchandise on computer screen or other than inspecting in person.

**6. OUTDATED LAWS:-**

The legal environment, in which the E-Commerce is conducted, is in full off unclear and conflicting laws. Moreover laws have not been updated to deal with cyber crime. Therefore there is a need to address technical issues to built up customers trust otherwise the life of the E-Commerce is in dangerous.

## 10.9 SUMMARY

E-commerce means any form of business transactions in which the parties interact electronically rather than by physical exchange of documents or direct meeting amongst officials.

Ubiquity, Global reaches, Universal standards, Richness, Interactivity, Information density, Personalization and customization etc. are the main features of E-commerce.

The functions of E-commerce are Global sourcing, Customers satisfactions, facility of e-mail, electronic data interaction, safety and secured transactions, motivating businessmen, facilitate e-banking and e-share trading etc.

Online relating, Online research, e-procurement, Services of agents etc. are the areas where e-commerce is implemented.

In today's technological era, E-Commerce is giving maximum satisfaction in marketing, production, advertising or communication system of business as it is connecting all, locates the product quickly, lowers the cost, easily establishes new customers, enjoys the benefit of large scale operations, boosts to economy, provides niche marketing, remain open all time.

Some technological and inherent limitations are there such as: lack of inspection, low coverage, uncertain delivery, limited suitability, insecurities, outdated laws etc.

## 10.10 QUESTIONS

1. What is E-Commerce? State its main objectives.
2. Define E-Commerce. Discuss its features.
3. Explain in details in functions of E-Commerce.
4. State the Importance of E-Commerce in today's changing business.
5. What is the scope of E-Commerce? Explain in details.
6. What are the advantages and limitations of E-Commerce?
7. How is E-Commerce different from traditional commerce?

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# Unit-11

## PRESENT STATUS OF E-COMMERCE IN INDIA

**Unit Structure :**



## 11.0 OBJECTIVES

After studying the unit students will be able to:

- Understand the E-commerce activities
- Explain the types of E-commerce.
- Explain factors responsible for the growth of E-commerce in India.
- Elaborate the present status of E-commerce.
- Understand transition to E-commerce in India.
- Explain the E-transition challenges for Indian corporate.
- Understand the concept nline marketing research.

## 11.1 INTRODUCTION:

In the previous chapter we have studied e-commerce and its basic knowledge and became aware of or well versed with e-commerce. In this chapter we proposed to study its type and present position in India.

The present marketing is in a revolutionary form. The reason behind it is fastest growing information technology (IT), specifically to the business it is e-commerce. E-commerce has tremendous potentials to influence businesses. New business have no choice but must have to sow the seeds of e-commerce and stream role themselves in changing business environment to reap the fruits of e-commerce and develop at high level. E-commerce activity has well supported by rising internet and World Wide Web (www) sites through the transformation of global commerce.

No doubt e-commerce is growing substantially on the internet. In nearest future millions of companies and individuals will be bidding, buying, selling, brokering, advertising or collaborating on daily basis as the internet merger with the other branches of information highway. It may gives lower cost of implementation and maintain a procurement infrastructure. It also supports or helps to those who will see the opportunities, understand the medium and creatively put it to work for them, will definitely succeed in the digital economic of tomorrow.

E-commerce has no hard or fast meaning or its definitions'. Some experts have seen it from their perception and have given meaning; say for example common people have understood this term as buying and selling of goods or services electronically or on line. The people who are related to communication say it is transmission of information, products or services or payment through telephone network or any other media. From the businessmen point of view e-commerce is the use of technology to automate business transaction and work-flow, where as the customers stand point is product displayed in and online store, read information about the product and see the websites for purchase the product. Here we can conclude that e-commerce has not only among some group but it may be between many groups. Therefore it is necessary to study the different type of e-commerce. Before studding the different type let us see the activities involved in e-commerce

## 11.2 ELECTRONIC COMMERCE ACTIVITIES

E-commerce is a range of online business activities that includes explaining products or services and providing mechanisms for customer to buy those products and services from web sites. It encompasses online shopping and online purchasing. There are four major sequential activities related to the potential customers. They are as under:

**1 Product or service search :-**

The prospective customer searches for the expected or desired products or services on internet. The search process can be simple short for the products.

**2 Price search.**

Once the appropriate product or service is searched, then the customer turns towards price of the products or services. They search for price offerings on the required product over the net. While Searching price customer may get the desired price product only when if the product is for common customer or low customer involvement for purchasing. There is a less scope for branded product or preferences of the products are very strong.

**3 Actual purchase:-**

After the appropriate product or service is found, then the price search end and customer makes actual purchase either in the physical world or over the internet.

**4 Payment:-**

Making payment of the products or services is the final step in e-commerce. Here customer makes payment either in physical world or over the internet.

## 11.3 B2B - BUSINESS TO BUSINESS

Following are the different type of e-commerce, they are as under.

1 B2B - Business To Business
2 B2C – Business To Customers
3 C2B – Consumer To Business
4 C2C – Consumer To Consumer
5 P2P– Peer To Peer

### 11.3.1 B2B - BUSINESS TO BUSINESS:-

In traditional firm, the process of dealing with suppliers or distributers involves lots of paper works and it was costly as well as delayed process. In modern businesses net has eliminated all these and automated the processes, gave solution to cost and delayed problems. It is also possible to companies to offers better services to each other and improves their efficiency.

At present most of the businesses are adopting the B2B e-commerce to get service work done, to link suppliers, factories, distributors and retailers directly. This type of e-commerce is relates to a company buying or selling online. In short it is an automated exchange of information between different organization. In this type business invoices are received, orders place and payments are made using internet connections. Details of businesses are received through their websites. This type of business has large volume transaction.

At present B2B represent much larger fractions of total internet marketing. Businesses adopt technology faster than the consumers and gaining important in reengineering their business processes and developing or expanding globally.

### 11.3.2 BENEFITS OF B2B TRANSACTIONS

Following are some of the benefits enjoyed by a business firm on account of B2B transactions.

**I. Less cost of distribution:-**

B2B transactions reduce the cost of marketing and selling of the business unit. For the sale of the product business need not maintain selling staff or need not to advertise products frequently to attract the customer.

**II. Minimized inventory level:-**

Here business used to utilize the just-in-time method of maintaining inventory. Business need not to, maintained large inventory in anticipation of demand. Because under this system, seller can maintain inventory level as per order received online and buyer also no need to buy large amount of inventory but can order only when it is required.

**III. Increase productivity :-**

There may be increase in productivity of an employee of the buying firm as the firm need not to maintain inventory and getting raw material on time without any gap or delay.

**IV. Wide coverage:-**

Online services are available round the clock i.e. 24x 7 schedules. Therefore the buyers from anywhere in the country or world can easily and as per their convenience accesses and complete the transactions.

**V. Customers loyalty:-**

The seller can maintain good loyalty, when the customers are made to feel some special and are provided with quick and quality services. If consumers once developed the bond or loyalty, then it is very difficult to shift it from one business to another business.

### 11.3.3 TOOLS AND TECHNIQUES FOR B2B ENTERPRISE.

While doing B2B transactions between firms, they use different marketing strategies which were not easily possible to traditional businesses. Some of the common tools are given below.

**I. Pricing model:-**

Under this, buyers are given substantial discounts and incentives. This discounts and incentives provide to distributers or other elements in distribution chain are often passed on to the customers. In addition businesses quotes free items on the net.

**II. Service model:-**

Some business, specifically those who are dealing in software are offering their packages through net. They put critical data on web which can be used easily anywhere in the world with very minimum charges.

**III. Personalized model:-**

There are number of webs which are providing personalize services to its users, right from the selection, placing order, execution of order to after sale service.

**IV. Comparison model:-**

E-commerce has made it possible that users can see number of webs and can locate the cheapest products to suit their personal specification.

## 11.4 BUSINESS TO CONSUMERS E-COMMERCE (B2C)

### 11.4.1 MEANING

This type of e-commerce deals with companies selling products to the customers through net. It is direct selling to customers through internet. This type of transactions are rapidly increasingly as there is increased computer literacy, personal computer, laptops and internet connectivity as increased and became common. This type of e-commerce is used when business is a suppliers and customer is a purchaser. This is the retailing transaction with individual's shoppers. The basic concept behind this is that the online retailers and marketers can sell their products to the online customers by using crystal clear data which is made available via various online marketing tools. For example online pharmacy giving free of charge medical consultation and selling medicine to patients. This is known as B2C.

Generally these businesses offer catalog and online shopping cart and business is able to accept payment through its websites. The consumer then has immediate access to the service online or the product is shift to consumer directly. The main intention behind this is to remove intermediaries and established direct customer relationship.

### 11.4.2 ADVANTAGES OF B2C E-COMMERCE

There are certain advantages gained on the part of B2C e-commerce by the parties involved in. some advantages are given below.

a) Shopping can be faster.
b) It is more convenient.
c) Offerings and prices can change instantaneously.
d) Call centers can be integrated with websites.

### 11.4.3 SCOPE OF B2C

Internet is the magic, with one click or press we can reach anywhere in the world. That is why it is called as VIRTUAL WORLD. Therefore businesses are using it for their marketing ideas and reaching across the world. The scope of the B2C means who and where e-commerce is used or its uses are. This will be made clear with the help of following points.

**I. Demographic segments:-**

Now days, there is a big portion of the society which are easily accessing to the internet facilities. This trend is not only increasing in India but also in the whole world. And this is not only used by a specific income group but diversified income group people.

**II. Websites for kids/ children's.:-**

With a rapid development, internet marketers have identified opportunities in different class of the people specifically they have chosen the children or teenage as this are using more internet and computer facilities. These groups are technology friendly so they can force to their parents to purchase this facilities.

**III. Number of elderly buyers:-**

The people above 50 years are fastly becoming internet savvy. This peoples are using these facilities for different purposes like Investment, travel sites or financial services. Their needs and youngsters need are totally different.

**IV. New marketing approaches;-**

Earlier customers where very passive audience. The purchases the product with available information but now peoples are getting ample and correct information through net. Therefore marketers by recognizing the significance of internet and people trend to use it, they make their web sites are more attractive and informative so that people can easily persued.

## 11.5 CONSUMERS TO CONSUMERS E-COMMERCE (C2C)

### 11.5.1 MEANING

The introductions of new economic has helped to create individualistic and independent society. C2C model of e-commerce is the example of it. In this type individuals consumers preparing their own websites and entering into online transactions with others consumers.

For example eBay's transactions. Here eBay's is online market makers and provides platform to the customers without any intermediaries on daily basis. Olx.com and quicker.com are also examples of C2C.

In this business auctions of personal possession are very common such as painting, old music records, antiques furniture etc. here prices are determined by market force and these transactions non-business entities complete the process by using the websites. C2C is conducted through classified advertisement, auctions and collectible shows. In Mumbai residential properties are sold with the help of C2C models. The payment is made on line where people can send and receive money online with convenient and safety.

In India, C2C is used in limited scale because consumers anticipate cheating and danger of unethical transactions. Therefore there is a need to enact new laws to give security to the customers. While undertaking C2C model tractions some basic activities are required which are as follows

### 11.5.2 THE ACTIVITY INVOLVED IN C2C PROCESS:-

**a) Registration :-**

The consumers who wants to sell and the consumer who wants to buy have to register with the site.

**b) Auctions:-**

The auctions take place at the sites. The different buyers quote the rates for buying the products offered by the seller.

**c) Sale:-**

The highest bidder will be eligible for to purchase the product. He has a right to denie the product before making the final payment.

**d) Payment;-**

The buyer makes the payment through credit card or debit card by following virtual sites process. The payment is remitting to the buyers after deducting service charges.

**Check Your Progress**

**1.** Define the following terms:

**a.** E-commerce
**b.** B2B
**c.** B2C
**d.** C2B
**e.** C2C
**f.** P2P

**2.** Fill in the blanks:

**a.** Olx.com and quicker.com are the examples of ---------------.

**b.** eBay's is ---------------------- makers.

**c.** ----------------------it is called as VIRTUAL WORLD.

**d.** --------------------------is direct selling to customers through internet.

**e.** ------------------- encompasses online shopping and online purchasing.

**f.** Under the ---------------model buyers are given substantial discounts and incentives.

**g.** ------------------ model includes providing personalize services to its users, right from the selection, placing order, execution of order to after sale service.

**h.** --------------------- type of e-commerce is relates to a company buying or selling online.

**i.** ----------------------- is an automated exchange of information between different organization.

**3.** Enlist the activities involved in C2C process.

## 11.6 PRESENT STATUS OF E-COMMERCE IN INDIA

Over the years e-commerce has grown significantly in India, Specifically the B2B e-commerce. No doubt e-commerce had a slow start but of late it has picked in a great form. It has very bright future in India because of low cost of personal computer, increase in internet service provider and peoples approaches towards shopping online. Recent report indicates that online retailers have registered an average 18% growth, and the coming year seems to be surprise for online shopping. There are increased users of internet the report shows that the number of internet users has touched the hundred million and will continue to grow substantially.
Online shopping initiatives are tremendously increasing pursuing working professional's, women and children. The growth rate of online shoppers does not include the users of mobile phone and public computer who have brought products from mobile shopping applications.

Bay India has stated that launching a product online helps to reach even to the remote part of the country. With the advent of 3G and hi speed connectivity in India, demand even in small cities has recorded noticeable. There is a huge untapped opportunities online as over 100 million people in India access the internet.

E-shopping in India has been integrated with social media. A report by Nielsen state that about 13 million Indians check product review online. Out of these 6 millions used social media sites for the purpose.

Online channels are playing an important role of connecting people with unexploded market. There are certain segments like apparel and luxuries products have registered unprecedented growth in 2011, jewellery, electronic appliances and hardware products have shown promising growth trends as well.

Pricing importance increasing in shoppers of the coupon sites indicate that pricing is playing the role of catalyst in bringing more and more shoppers online. Many of these shoppers have shown affinity towards affordable online goods, which was prices lesser than the market price. Some of the largest retails subcategories revealed that coupons category was the largest with 7.6 million visitors as consumers rapidly adopt daily deals sites. Consumer's electronics ranked next with 7.1 million visitors, growing at 12 percent over the previous year, while 5.8 million online users visited comparison shopping sites, an increase of 25 percent from the previous year.

## 11.7 THE FACTORS RESPONSIBLE FOR THE N OF E-COMMERCE

Following are the factors responsible for the growth of e-commerce in India.

**i. Growth of internet users;-**

The internet users have rapidly growth in India. The internet users include internet subscriber and others who are using internet from other sources. If we look at the numbers increased rapidly then we come to know the necessity of internet to the India. In the year of 2000 internet users were nearly 20 lakhs where as 2012 it reaches 150 lakhs.

**ii. Awareness of E-commerce:-**

There is growing awareness of e-commerce in India. If we look at B2B e-commerce even the small and medium scale enterprises are using net facilities. There is also growing awareness among the end customers because of advertisements by online shopping sites.

**iii. Growth of middle class :-**

The size of middle class is rapidly increasing in India. The growth of it is resulted in increase in income level of people. Its overall result, the numbers of users of internet for online shopping are increasing significantly.

**iv. Computer education:-**

The computer education has increased considerably in India. Most of the schools, especially in urban areas impart computer education. Therefore teenagers and youngsters find it easier and convenient to browse the internet, this helps to search the information and place the order.

**v. Growth of service sectors;-**

There has been a good growth of service sectors like banking, insurance, telecom, airlines, etc. the service sectors are increasingly resorting to advanced technology for business transactions. For example in India, Over 95% of the bank branches have been computerized. So it is possible for bank to offer internet facilities to its customers. Also airlines, insurance firms and other have opened websites to offer information about their services. The customers can log in to the site and may transact business online with the service firms.

**vi. Impact of western life styles:-**

In India, especially youth in the urban areas are influenced by western culture to some extent. The Indian youth would like to enjoy the taste of latest design and fashions therefore they may use online shopping sites.

**vii. Growing competitions :-**

There is a growing competitions in India among Indian businesses and between Indian and foreign firms. There are number of foreign brands available in Indian markets. Therefore business units make every possible effort to induce customers to buy their products. Then it may be physically or through online.

## 11.8 E-COMMERCE TRANSITION CHALLENGES IN INDIA

India has growing digitals consumers, majorly it includes young, male and children's playing games and reading news online. The average transactions on the very busy Indian railway sites are quite noticeable while the popular online book store flip kart has recorded growth in 2011. Online media on mobile is also fast catching up.

E-commerce, in India, offers both big promise and many challenges for future. Some of the challenges are given below.

1. **Challenges preparing in web advertising.**

Web is the medium of information in today's developed world. Most of the firm are using online web advertising and reaping the profit. A firm can advertise through its own web sites or buy banner ads on other web sites. Up to this time only few peoples were using web ads but now it is the growing fast and almost all brands are given on their own web sites. Maintaining web address ads is the prestige and image of the company so every business is trying to prepare high involvement and interactive media that is web.

2. **Challenges in maintaining security:-**

E-commerce is mainly based on internet and internet is unregulated and uncontrolled. It has easy access and global communication therefore It provides wide range of risk and threats to the systems operating on it. The challenges before E-commerce is guarantee security through maintaining confidentiality of information, integrity through authentication, providing resources to authorized parties and keeping records of operations and transactions.

3. **Challenges in implementing cyber law:-**

Criminal natures activity are very common own internet. Cyber law is important because it touches almost all aspects of the transaction and activities relating to the internet. E-commerce must learn to operate their business within the framework of the law which will install confidence and trust among online customers.

4. **Challenges in online trading:-**

Online trading is one more important shopping, which provides easy access to the brands which are not available in a particular term specifically outsides metro cities. Their customers by using e-commerce fill-up the gap between distribution systems. Moreover internet gives them control over the buying process therefore Indian corporate sector must gear up to the development and operate e-commerce satisfactorily to both customers and intermediaries.

5. **Challenges in popularizing M-commerce:-**

M-commerce means any activity conducted over the wireless network through mobile devices. It includes cellular phones pager devices laptops and personal digital assistant. It is possible to identify the location of the person using hand held devices. The location identifiable connectivity offered by m-commerce has increased the coverage of e-commerce. The 24 hours service makes M-commerce readily patronized by customers. These kinds of services offered by m-commerce are attracting to the corporate in India.

6. **Challenges due Lack of trust of customers;-**

In India most of the customers doubt the quality, delivery price and after sale service relating to the goods purchased online therefore online marketers need to create good amount of confidence in the mind of potentials customers.

7. **Challenges due to Price wars:-**

E-commerce may lead to commerce war. Because online marketers offering heavy discounts to the customers to attract them towards their product and services. This activity may adversely affect to the bottom line of the online firms. So online marketers need to cautious and accordingly make the offers. However such type of arisen price war is temporary in nature and it does not affect to the efficient firms in long run.

## 11.9 REASONS FOR POOR RESPONSE OF E-COMMERCE IN INDIA

Following are the reasons for poor response of E-commerce in India:

1. **Manipulation :-**

Commercial bulletin boards allow individuals to post massages. So it is not possible to anyone to identify the true identity of the individual behind the massage. There is a possibility for manipulation by an individual or a company.

**2. Scams and frauds:-**

There are many scams and frauds took place in cyber place. For dealing with internet there is a no need that one is to be expert in computer. So companies, by giving highly attractive scheme on bulletin boards stimulate people to make quick and easy money here novices are trapped.

**3. Misconduct:-**

There are many unlicensed broker who wants to make quick money. Here brokers may give much exaggerated claim to influence the potential investors.

**4. Regular irritation;-**

Marketers offer very high claims. This high claims sometime irritates the customers.

## 11.10 ONLINE MARKETING REASERCH

### 11.10.1 MEANING

Marketing research is an important tool for any organization trying to explore commercial opportunities. It provides market intelligence and increases competitiveness of the business and the maximize the profit. Marketing research is systematic study of a particular problem where in the problem related data in collected recorded and classified analyzed and interpreted so that solution will be given to the problem.

Online marketing research is collecting primary data online through internet surveys, online focus groups, and web based experiments or tracking consumer's online behavior. Here the respondent may be requested to fill up questionnaire made available on the internet. It helps a company to learn more about its target audience in regards of their buying behavior or other aspects.

### 11.10.2 TYPES OF ONLINE MARKETING RESEARCH:-

Following are the types of online marketing research.

**1) Web survey:-**

Under these companies prepares a questionnaire and post it on its website. Here companies by offering attractive incentives ask to answer the questions. It includes e-mail, web link, and web pop-ups.

**2) Quantitative research:**

Under this type of research companies tries to measures consumers' response precisely. It is applicable to phenomena that can be expressed in terms of quantity. It is economical to companies to conduct marketing surveys on line.

**3) Online focus groups :**

Under this type a small group of people gather online with a trained moderator to chat about a product, service or organization. With the help of moderator customers attitude and behavior can be judged. Here customer requires laptop or web connection participation or to log in. this is suitable to rich class people who has time problem and wanted to avoid travelling.

**4) Online data bases:-**

This type of online research provides secondary data. It is stored on disks or CD-ROM. It is updated regularly and network links allows the sharing of this data. For example consultancy services have such type of data relating to their business line which can be readily accessed.

Online marketing research has certain advantages and limitations which are given below.

### 11.10.3 ADVANTAGES OF ONLINE MARKETING RESEARCH

**1) Wide geographical coverage:-**

Online marketing research enables the marketers to collect information from different area's customers. This is not possible under field marketing research. Here the researcher can easily reach to national or international audience to collect information relating to the customers problems or choices, references etc. and accordingly the data can be used for appropriate marketing mix decisions.

**2) Cost effective:-**

Online marketing research is cost effective as it is collected with the help of internet. There is a no expenses incurred on an account of postage. The data is transmitted instantly as and when the respondents complete the online questionnaire.

**3) Easy accessibility:-**

Online marketing research can get in touch with any and every person then it may be business executives or big business men who are rarely available. Even high-tech professional can find it convenient to reply online questionnaire.

**4) Accuracy :-**

Online marketing research make a researcher able to easily access to information collected from large sample audience. In general it is stated larger the sample size greater the accuracy of the data. Simultaneously this method does not appoint field surveyor therefore the buyers free information is collected. In simple word this method is accurate data is researcher.

**5) Good co-ordination among respondent :-**

In this method good customer relationship is exists. So whenever customers ask to provide quick feedback on a particular issue they do it fast. On this basis company can make changes in marketing mix and accordingly take new decision to increase the save of the company.

### 11.10.4 LIMITATIONS OF ONLINE MARKETING RESEARCH

**1) Lack of response:-**

Some time it happens that some customers are not willing to answering the questionnaire. In this case the researcher may be unable to get response from required number of people.

**2) Limited use:-**

Though online marketing research covers wide area but it suffers from restricted use that it does not have face to face interaction. Here the researcher who is in need of face to face interaction it is restricted.

**3) Termination:-**

Online respondent can suddenly terminate the answering of questionnaire without explanation. They may shift to other site. Some time they may answer question as per their convenient.

**4) Problem of technology:-**

Online marketing research is totally technology based activity. Sometimes the responded may be facing the problems of outdated computers or problems on internet connections. For example at the time of downloading questionnaire, if it takes more time then customers get frustrated and sometimes he may shutdown his computer, it affects the quality of research work.

**5) Not suitable for certain products:-**

Online marketing research is not suitable for certain product like laundry product which is targeted to middle lower or lower income groups. Here the real customers for such products are housewives of middle lower or lower income groups but these housewives are not having internet facility to provide response or they may not having the computer knowledge to respond.

## 11.11 SUMMARY

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E-commerce is a range of online business activities that includes explaining products or services and providing mechanisms for customer to buy those products and services from web sites. The major sequential activities related to the potential customers are: Product or service search, Price search, Actual purchase and payment.

The different types of e-commerce are:

1. B2B - Business To Business
2. B2C – Business To Customer
3. C2B – Consumer To Business
4. C2C – Consumer To Consumer
5. P2P– Peer To Peer

Over the years e-commerce has grown significantly in India. Growth of internet users, Awareness of E-commerce, Growth of middle class, Computer education, Growth of service sector, Impact of western life style, Growing competition etc are the reasons of growth of e-commerce in India.

E-commerce, in India is offering many challenges for future. Some of the challenges are: preparing in web advertising, maintaining security, online trading, popularizing M-commerce, challenges due to lack of customers, challenges due to price wars.

Online marketing research is collecting primary data online through internet surveys, online focus groups, and web based experiments or tracking consumer's online behavior.

The types of online marketing research are: Web survey, Quantitative research, Online focus groups and Online data bases.

Wide geographical coverage, cost effectiveness, easy accessibility, accuracy, good co-ordination among respondent are some of benefits of online marketing research.

The limitations of Online marketing research are: Lack of response, limited use, termination of answers, problem of technology etc.

## 11.12 QUESTIONS

1) What are the different types of e-commerce? Explain B2C.
2) Why is B2B most popular form of e-commerce?
3) What are the tools and techniques of B2B enterprises? Explain.
4) What is the scope of B2C?

5) Write a note on C2C model.
6) What are the challenges involved in e-transition for Indian corporate?
7) What is online marketing research? Explain the different types of online marketing research.
8) Explain the advantages and limitations of online marketing research.

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