UNIT 21   NON STORE RETAILING

Objectives

After reading this unit, you should be able to:

- explain the concept of non store retailing;

- identify the different types of non store retail formats;

- understand the functions of non store retailers; and

- examine the impact of non store retailing on other retail formats.

Structure

21.1   INTRODUCTION

Non store retailing occurs when a firm uses a strategy mix that is not store based, to reach customers and complete transactions. A non store retailer does not utilize conventional store facilities.

Non store retailing has been growing much faster than store retailing. Traditional store retailers are facing increasing competition from catalogs, direct mail, telephone, TV home shopping and the internet. By the year 2010, it is expected that over 12% of global retail sales, will be through non store formats.

21.2   TYPES OF NON STORE RETAILERS

The major types of non store retail formats are: (a) e-tailing or Electronic retailing or Internet retailing (b) Catalog and Direct Mail retailing (c) Direct selling (d) TV Home shopping and (e) Automatic vending machines, as shown in Figure 1.
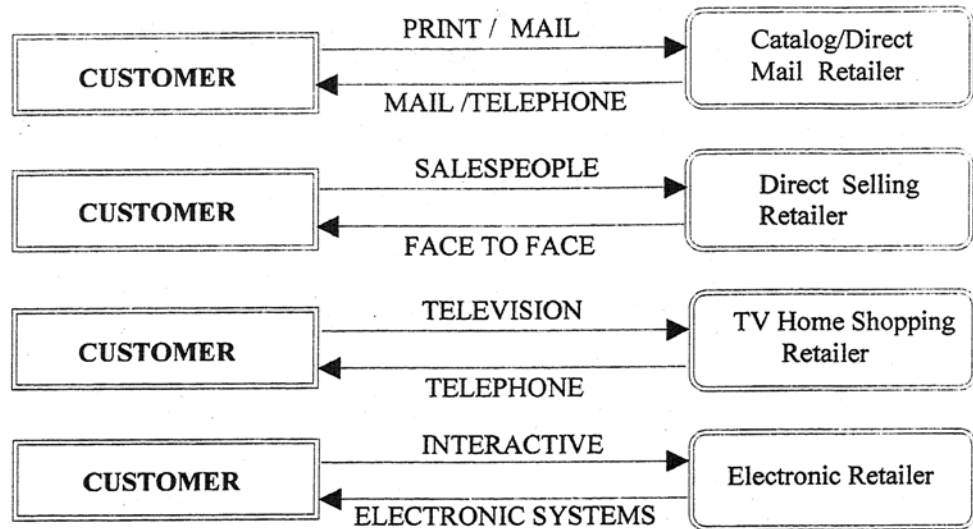
Figure 1

(Source: Adam Vrechopolous, Athens-Greece)

21.3   INTERNET RETAILING

This is a retail format in which retailers communicate with customers and offer products and services for sale over the internet. The internet is challenging the existing retail models found in traditional bricks and mortar businesses. As a means of expanding existing market share, entering new markets, forging alliances with business partners and taking customer relationship to a new and unprecedented level, e-business is an unparalleled tool. With better availability and less expensive access to the internet, its' usage is set to explode over the next few years. Therefore, for a company to survive the internet age, it needs to find new ways to provide the same traditional services and satisfy changing customer needs. By the year 2005, two hundred fifty million, new users will be connected to the internet. The World Wide Web **(www)** has made it possible to extend electronic links to customers of traditional in store and non store formats (some of the earlier non store channels included, mail order services, in home shopping and automatic vending etc). One of the first innovators in **virtual retailing** was Comp-U-Card, which changed its traditional face-to-face model into a virtual one. Electronic links to suppliers have created a virtual inventory and a web site has created a virtual store front. When internet transactions are tightly integrated with back end office systems, the retailer can provide better service to customers while reducing the cost of operations. Electronic retailers range in size from Amazan.com with over $3.0 billion annual sales to niche players such as www.dilmatea.com which sells tea from Sri Lanka. A large number of traditional retailers have incorporated e-tailing into a multi channel offering that provides value to customers.

21.3.1   A New Retailing Model

In a store environment the core retail functions are delivered physically through sales people, product packaging and product placement. As a result the retailer has to choose between "richness" (depth of product selection, customer relationships, information, content, interaction and customization) and "reach" (scope of customer base-how many customers and what type).

E-tailing allows retailers to strip out information from the store setting, thus breaking down traditional retail-value chains and forcing the restructure of physical activities and information to create a completely new model of retailing.

Such a model has the capability of providing both, "richness" and "reach" simultaneously.

In the absence of physical, constraints on online space, new products, product information, customized layouts and offerings, marketing campaigns etc; can be added at a low marginal cost. A growing number of new customers and even old customers can be served with relatively limited investments. All this allows the Internet retailer to meet the needs of customers, more easily and faster than off line retailing models. The on line business to consumers (B2C} market is in the very early stages of development. While the current market is small, the growth has been truly phenomenal. One of the major factors for this dramatic growth is that, the cost of putting a business on line, has reduced considerably.

21.3.2 Advantages of E-Tailing

An online retailer is in an excellent position to increase the breadth and depth of customer relationships. This in turn will lead to a better understanding of customer preferences and behaviour and enable the retailer to become even more effective in personalising, cross selling and moving shoppers up market to increase sales. Establishing a strong **brand** is critical to the success of an on line retailer. To create a strong brand, the e-tailer has to go beyond advertising. The business has to ensure and deliver flawless experience to customers at all points of contact. This includes everything from the number of `webpage' views required to reach the product catalog, to fast and accurate fulfillment. For, multichannel retailers, this means creating consistency across channels. A large number of retailers are beginning to focus their marketing and advertising efforts, off line to build their brands to drive traffic, conversion, loyalty and sales.

Internet retailers have the unique advantage of tracking traffic on their websites. This enables the retailers to be able to understand the value of their offline marketing efforts and receive immediate feedback on their sites. Businesses that constantly monitor their traffic patterns will be able to shorten the marketing learning curve to divert marketing and promotial expenditure on the most efficient mechanisms and implement site **changes** that have a direct impact on the quality of the consumer experience.

Another major advantage that on line retailers have, is **contextual marketing.,** particularly at the point where the impulse to buy is created. Contextual marketing is when marketers target users on the content of the advertisements that appear on a web page. This form of marketing focuses on visitors to a website, based on the context (navigation path, search interest etc.) of their visit. Contextual marketing converts visitors into buyers, by presenting them with content (ads, messages, offers) that align with their interests. Retailers can buy advertisements through vendors like, Google Adsense, Vibrant Media or Site Brand and a host of others.

Contextual marketing opens up opportunities for companies that, for various reasons can not perform the on going digital relationships, which are the life blood of a successful website- for example, makers of packaged goods, single product companies, and infrequent service providers.

E-tailers can convert on line **surfers** to **customers,** by making the self directed purchase process, comprehensive and convenient. Convenient sites are those that make it easy for people to move swiftly through the shopping process and encourage them to return.

21.3.3 Barriers to Growth

Generating sales and income, on line is not always a certainty. Some of the barriers to growth facing e-tailers are as follows :

a) **Security Fears:** A lot of on line customers apprehend encroachment on their privacy and security relating to credit card transactions on the net. Hence on line retailers need to improve convenience and value for customers to overcome these fears.

b) **Technology Limitations:** Hitherto, e-commerce was the domain of large retailers, because of the difficulty in accessing expensive and complex . technology. But with improvements in band- width and reliability, Internet shopping will increase, providing convenience and the richness of experience well beyond, that available today.

c) **Internal Change:** Many on line retailers face the combined challenge of managing significant growth and internal organizational change, to scale their customer service, database and fulfillment infrastructure - while technology is still evolving.

d) **Customer Inconvenience:** Many on line shoppers cite problems, like the need to re-enter personal data, variation in customer service across websites, and the lack of coordination between on line and off line environments, in the case of multi channel retailers.

e) **High Distribution Cost:** Retailers feel that many traditional suppliers have not reduced their costs, which could have been possible through effective integration of web based technologies. This results in less efficient on line retailing and higher prices.

f) **Channel Conflict:** Some traditional retailers are hesitant to go on line, because of a perceived conflict with channel partners. Manufacturers feel that on line operations might reduce sales through existing channels or alienate their existing distribution partners.

21.4 CATALOG RETAILING

Also known as mail-order retailing, is a type of non store format where the product or service is communicated to a prospective customer through a catalog. A variation of this format is **Direct Mail** retailing where the offering is communicated by means of letters and brochures.

The factor that most attracts customers to catalog retailing is convenience. Shopping at home, particularly at such harried times as Diwali or New Year, provides an undeniable attraction. Catalog retailers also offer the facility of gift wrapping orders and dispatching them directly to the persons for whom they are meant.

Catalog retailing offers a number of opportunities for reducing the operating costs - No sales people need to be hired, trained or paid. Such businesses can operate from low rent areas, unlike other retailers. Catalog retailers, can in fact, cut corners in many other areas, since their operations are not visible to the customer. Some other advantages of catalog retailing, include the ability of targeting likely customers on a national level and putting the sales pitch literally in their hands. When thoughtfully presented, they provide an interesting and enduring sales pitch, that customers can peruse and consider at leisure before placing orders.

But at the same time, catalog retailers face considerable expenses in the preparation and mailing of catalog. They also have to expedite shipments to ensure that customers receive their orders quickly and in good condition, lest the customers buy the desired merchandise from another source.

21.4.1 Types of Catalog Retailers

There are essentially two types of **mail order** or catalog retailers : (a) General merchandise catalog retailers and (b) Speciality catalog retailers.

General Merchandise retailers offer a broad variety of merchandise in catalogs, ranging from house hold items to gifts, to food. Well known catalog retailers in the Indian context are Burlington's, and Indiatimes shopping, Oriflame etc.

Speciality catalog retailers: These retailers focus on, specific categories of merchandise, such as clothing, gifts, sporting goods, products and services for pets; jewellery, health and fitness etc.

21.4.2 Guidelines for Catalog Retailing

Catalog business has been growing steadily the world over, although in India the growth has not been very flattering. But with more and more consumers switching over to multi channel shopping, catalog retailing in India is poised for definite growth, particularly because it is seen as an extended arm of e-tailing. People like the convenience of being able to shop **24/7** and appreciate access to products not available in local stores. But it takes more than good products to make a successful catalog; it is essential to establish credibility through design. Some suggested guidelines for success in catalog retailing are as follows:

i) *The Catalog must reflect brand identity:* If the catalog looks different from the store, which looks different from the website, it will not sell. Customers want to enjoy the same brand experience, wherever they shop. The brand personality has to be translated across all media to assure customers they will receive the same consistent quality everywhere.

ii) *Avoid Clutter:* A lot of retailers, relate success to square centimeter space on a page. Cramming more merchandise in a given space does not result in higher sales.

iii) *Know the Customer:* Understanding who the catalog retailer is selling to, is essential for selecting the merchandise, styling the photographs, describe the product in the right tone, and developing the mailing list etc. It will also help the retailer, determine the image he/she presents - urban or rural, high style or wash and wear.

iv) *Use of text along with pictures:* Good text will invite the customer to enjoy the catalog at leisure and make the product selection seem more meaningful and unique. Feature copy is not always a loss of selling space.

v) *The Catalog has to sell as a whole not pieces:* The goal of a catalog retailer is not to sell one product, but to make the whole catalog sell. The most expensive product does not have to be the biggest object on the page. If the editorial content in the catalog is made interesting more products in the catalog will sell.

vi) *Use of Creativity in design:* It is not always advisable to use manufacturer's supplied photographs in the catalog. Because of mixed lighting, styling and photo quality, the catalog looks disjointed and sometimes less reputable. It may show the product, but it does not support the brand.

vii) *An order form should be included:* Research indicates, that shoppers like to use printed order forms to list and organize their purchases and gather the information they need. Even for phone-in-orders, this allows the operator to handle calls more accurately and efficiently.

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viii)*The quality of the Catalog should not be sacrificed:* Catalog shoppers cannot examine the merchandise first hand, so they base their trust on what they can feel and see - the quality, design, photography, paper and printing. Presentation communicates the integrity of products and the credibility of brands.

21.5 DIRECT SELLING

Is sometimes referred to as door-to-door retailing, where a sales person, quite often an independent business person, contacts a customer directly in a convenient location, either at the customer's home or at work, or at home sales parties, and demonstrates the product's benefits, takes an order and delivers the merchandise to the customer. This form of retailing started centuries ago, with the roving peddlers. Today it has grown into a huge industry, with more than a 1000 companies world wide selling their products in this manner. Avon, Orilame, Eureka Forbes are some of the known companies using this format, apart from independent business people. Some of the products sold directly include: cosmetics, personal care products, kitchen ware, carpets and some other household effects. Additionally, services like insurance, education, travel, leisure health care, are also sold through this retailing channel.

In *a multi level* network, companies like Modicare, Oriflame and Amway appoint people as distribtiors in their network. These master distributors either buy the merchandise from the firm and resell it to their distributors or receive a commission on the merchandise sold by their distributors. In addition to selling the merchandise, the master distributors are involved in recruiting and training other distributors.

Although some direct selling companies are thriving, the future for this type of retailing format seems a little uncertain, on account of the following factors :

i) Increase in the number of single person and working couple households, reduces the chances of finding someone at home.

ii) Increase in crime against individuals has made customers relevant to invite strangers into their homes.

iii) Recent advances in interactive direct marketing technology, means that this format will be replaced by the telephone, television and the home computer.

"Nothing Happens Till Someone Sells something"-Red Motley.

In other words, Red Motley (former salesman a president Parade Publications Inc) suggests that everybody sells and every aspect of human relations is influenced by selling. The success achieved in selling depends to a very large extent on the seller's ability to win acceptance and his/her competence in the art and science of persuasion. For selling to be effective, it has to be a planned activity, following a series of well thought out steps. Two methods of selling are commonly used: (a) Personal selling and (b) Telephone selling or Teleselling

21.5.1 Personal Selling

Involves the face to face interaction between the buyer and the seller.For this kind of selling to be effective, the salesperson has to employ a series of steps which constitute the **"Creative Selling Process."** These steps are

i) *Prospecting:* Everyone cannot be a company's customer. The important question is "Whom do you sell to."? We cannot sell a tractor to beauty

parlour, or a sewing machine to a baker. The process of locating, identifying and finding people who are likely to have a need or want for a particular product or service, is called **Prospecting.**

People or organizations, thus identified are called "suspects" or leads. These leads then have to be qualified in terms, of money, authority and need" to turn them into prospects.

Sources of leads include; Referrals, Trade directories, Telephone directories, Cold calling, Housing records, Marriage registers, Observation and Trade Shows etc.

ii) *Pre Approach: Having* located a prospect, the next step is to gather as much information about the prospect, in terms of his/her, need, status, background, values, education, occupation, experience, likes, dislikes, hobbies and so on. This helps in avoiding tactical blunders, during a sales call and establishing a better report with the prospect. All this is done, before meeting the prospect.

iii) *Approach:* This is the first minute or two of the sale. It can either make or break a presentation. It is often said that the seller's **"First ten words are more important than the next ten thousand."**

A sales person will never get a second chance .to make a first impression. He/she should therefore make it good. Elements like facial expression, eye contact, dress and grooming, enthusiasm, handshake etc; are very significant. Many of these elements are non verbal and it is important to remember that in a face to face communication between two people, 93% of what transpires **is non verbal** (body language) and only 7% is verbal.

iv) *Presentation:* Having won the prospects' confidence, the next stage in the selling process for the sales person, is to offer the benefits and advantages of his proposition through the main body of the sale.

The sales person has to consciously or unconsciously move the prospect through the stages known as AIDA (Attention-Interest-Desire-Action). The effort should be to arouse a high degree of interest in the prospect to evince a positve response from him/her.

Trial Close: The next stage calls for extreme sharpness on the part of the sales person to assess the readiness of the prospect to buy. An affirmative response from the prospect to questions like "How do you spell your name? With an `E' or am F? do you want "Standard" or "Primer" finish? will give an indication to seller that the prospect is almost ready to buy.

Handling Objections: "Selling begins when the buyer says No." This means that if the buyer raises an objection or seeks a clarification, it should be seen as an opportunity by the salesperson to exploit when the prospect, takes the trouble to object, it shows that he/she is interested. The sales person should then handle the objection tactfully, through product knowledge and communication skills, to get the buyer to say `**yes'.**

Closing a Sale: This refers to asking for the order. The seller can use a number of closing techniques, involving, emotions, timing, availability to politely ask for the order, by saying things like; "It is a pleasure to do business with you. It is a decision you will never regret."

Follow up: Having clinched the deal, the seller's job now, is to reassure the customer that he/she has bought the right product, and the sales person and his company will always be there when needed. Figure 2: below summarises the Creative Selling Process.

Figure 2

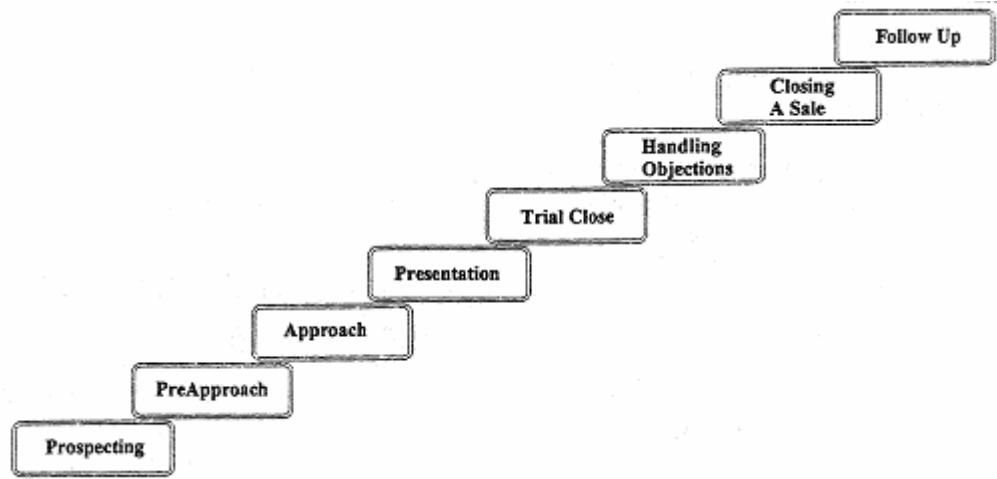### 21.5.2 Tele Selling

The telephone has long been recognized as an effective tool generating sales of products and services. But like any other tool, the user needs to use it effectively. In the overall, long term scheme of sales and marketing, many people feel that concept of proactive relationship building, tele selling is evolving into one of the major customer contact means in the future.

The telephone will drive more of the routine selling effort, making regular sales and service calls, similar to the *type* of calls made by field sales people in the past.

Telephone selling is a telephone based retail format, for appointment making, reach or information exchange for the purpose of making a sale over the phone. As compared to direct mail, teleselling is expensive, because of the labour costs involved. But it is also extraordinarily effective.

This is because, it is a live medium where objections can be dealt with, appointments made and decisions reached -just like in a face to face selling situation; but without the time and cost involved in traveling. Telesales can typically generate 5 times the results produced by direct mail.

In telesales it is very important to set **targets** for the number of calls and/or the number of decision making conversations or the number of appointments, direct sales etc; which can be achieved during a planned time period.

Another critical area in planning telesales is the compilation of a **data base.** Depending upon the facilities available, this could be done in the form of **prospect card,** (Figure 3) listing essential details about the prospect like, name, address, contact title, type of need

Name of the firm	Contact		
Address	Title		
	Comments		
Telephone Number			
Type of Business	Source of Lead and Date		
Type of need	Priority	H	M	L.
Present Suppliers	Action Taken		
Credit Rating	Date	Purpose	Results
Comments			

Figure 3

etc; or it could be formatted on a database package on a PC. It has to be ensured that the data is accurate and current. The process involve, research to acquisition, to customer service to business development. At all these stages the database must be updated constantly.

The next step is to make a specific offer. For example, to send information; or enter a prize draw; or see a demonstration; or respond early and receive a discount.

Another, extremely useful tool is writing a Script. It helps a great deal to start the conversation and keep it going. A script is a written outline of the likely pattern of conversation, particularly the **call opening,** offering a specific benefit. A script can be tested and changed for better results. In teleselling the salesperson has just a 10 fleeting seconds to say something interesting to grab the prospects attention, before he/she switches off. That is why a script, particularly with a good call opening is always handy.

21.6 TV HOME SHOPPING

Television home shopping is a non store retail format in which customers watch a TV programme demonstrating merchandise and then place orders for the products over the telephone. There are three ways in which a company can communicate to the target audience through television

i) Through an *infomercial* (informative commercial), where, between scheduled TV programmes, advertisements for products are aired and orders solicited from viewers.

ii) Through a 30 or 60 minute capsule, covering various products, with in depth demonstrations.

iii) Through dedicated channels, which carry-programmes on television shopping, advertising products offered by a company, along with demonstrations and prices.

The Indian TV shopping market is estimated at Rs.50 crones, with an annual growth rate of 20%. The prominent players in the Indian market are Asian sky shop. TSN, Telebrand.6 (India) and Star Wamaco. In India however retailers have not set up a channel dedicated to TV Home shopping.

Some of factors which account for the success of this format are as follows :

- The consumer has very little time for shopping

- The products are generally impulse driven

- The products should be demonstrable

- The merchandise should be attractive, with some unique features

- The products should generally not be less than Rs.500/- and not more than Rs.15,000/-

- The perceived value of the product, should be more than its price. (Typically items such as jewellery, health and fitness products, toys, electronic items and household appliances are sold through Home TV Shopping).

- The product should require minimum after sales service

- The retailer should keep on offering a variety of merchandise

- The retailer should exhibit the same product again and again to arouse the customer's interest

- The infrastructure and courier system should be efficient.

21.7 VENDING MACHINES (AUTOMATIC RETAILING)

Automatic vending is a non store retail format in which the merchandise is stored in a machine and dispensed directly to the customers when they deposit cash or use a credit card, as shown in the **figure** below:

Vending Machine

Automatic vending has a long history. The Greek mathematician Hero seems to have got the ball rolling in 215 BC, when he invented a machine to vend holy water in Egyptian temples. The first commercial coin operated vending machine was introduced in London, England in the 1880's. They dispensed post cards. In 1888, the Thomas Adams Gum company introduced the first vending machines in the United States of America, for dispensing chewing gum.

21.7.1 Issues in Automatic Vending

Although automatic vending in India is still in a very nascent stage, it is slowly catching up, with the new generation being exposed to western life styles and shopping habits through various media.

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The first step in vending business is, for the retailer to determine, which vending business gives the best return on investment, in the least amount of time. It requires a good balance. There are many types of automatic vending businesses that produce a healthy return, but are however, very labour intensive. An example of this kind of business is, the snack, candy and soft drinks business. Regardless of good locations, there is far too much work involved.

Having identified the type of business a vending retailer wants to get into, the next step is to decide on which vending machine (quality) would serve the purpose best. This requires investment, probably in the form of a heavy price. Hence sources of finance have to be located.

The most important factor in automatic vending business is **location,** to establish the vending route. The machine has to be special in the eyes of the potential customers. The retailer has to give customers a reason to choose his/her machine. The machine has to be impressive and the location has to be great - preferably where the traffic is highest e.g. airports, railway stations, shopping malls or commercial and office complexes. The machine needs to draw attention to itself, especially if there is competition. In India, automatic vending machines are used for soft drinks, candies, ice cream and ATM's for monetary transactions, set up by commercial banks.

21.8 SUMMARY

Although most goods are sold through stores, **non-store** retailing has been growing much faster than store retailing. The major types of non store retailing formats are Direct selling, Catalog retailing, Automatic Vending In Home shopping and Internet retailing or E-tailing. Non store retailing occurs when a firm uses a strategy mix that is not store based.

Electronic retailing is a retail format, in which retailers communicate with customers and offer products and services over the internet. In Catalog retailing the retailer uses catalogs to reach potential customers for orders. Direct selling involves a person to person contact between the retailer (seller) and the customer. A variation of this format is Teleselling, where contact is established over the phone. TV Home shopping is a retail format, where customers watch a TV programme demonstrating merchandise, and then place orders, over the phone. Automatic vending involves a man machine interface, where a customer directly obtains merchandise stored in a machine, by inserting a coin or a credit card.

21.9 SELF ASSESSMENT QUESTIONS

A) Select True or False from the following statements :

i) Non store retailing includes shopping for services (T) (F)

ii) Direct selling is not a form of retailing (T) (F)

iii) Dispensing Coca Cola through a machine is automatic vending (T) (F)

iv) In Home TV shopping is a type of non store retailing format (T) (F)

v) "Telebrands" in India sells products through department stores (T) (F)

vi) E-tailing deals with retailing of electronic gadgets. (T) (F)

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B) Select the correct choice in the following multiple choice questions :

i) Person to person interaction between a retailer and a prospective customer is:

   a) Direct marketing

   b) Automatic selling

   c) Direct selling

   d) Buying service

   e) Coercive marketing

ii) All of the following are types of non store retailing, except

   a) Catalog retailing

   b) Vending Machines

   c) Chain store

   d) Direct Mail

   e) Mall order

iii) Electronic retailing involves retailing of:

   a) Books

   b) Clothes

   c) Cameras

   d) Travel services

   e) All of the above

   f) None of the above

iv) Traditional store retailers are facing competition because of the following, except:

   a) Increase in the number of working couples

   b) Growth of IT and communication technology

   c) Government policies on the retail Industry

   d) Increasing time pressure on consumers

   e) Shortage of qualified retail help

v) Mail order retailing is the same as:

   a) Direct selling

   b) In Home retailing

   c) E-tailing

   d) Catalog retailing

   e) Virtual retailing.

ANSWERS

A)   i) T   ii) F   iii) T   iv) T v) F   vi) F

B)   (i) c (ii) c (iii) e (iv) c (v) d

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