
UNIT 1 THE PROCESS OF RETAIL MERCHANDISING

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1.0 OBJECTIVES

After studying this unit, you should be able to:

- explain the concept of merchandising;
- discuss the key elements of merchandising;
- explain the process of merchandising;
- discuss different roles played by the merchandisers;
- describe the philosophy of merchandising;
- describe different types of merchandise;
- discuss the classification of merchandise.

1.1 INTRODUCTION

In the present context, Merchandising has evolved into a more specialized field. In the days of Mom & Pop store, the owner of the store was doing the job of complete management of the store including that of the merchandiser. Over a period of time the formats of stores have gone into complete change, including the size, ambience, type of merchandise stored, specialization in merchandise sales, use of technology in managing sales and stocks, and job specializations. The merchandising as a concept

and process has gone into a complete sea change. In this unit, You will learn about the principles and concept of merchandising, roles played by the merchandisers and the merchandising philosophy. You will also learn about different types of merchandising and its classification.

1.2 CONCEPT OF MERCHANDISING

You must be aware that the consumers' choices have evolved tremendously from the time of Industrial era in the 18th century to today's information technology era. In the initial phase of the Industrial era, it used to be manufacturers who were deciding about consumers' choices due to the limited product range possible and the limited number of suppliers producing them. In fact, it used to be the sellers' market. The manufacturers were deciding about product offering. In the present scenario, it is the consumer who is deciding about what he/she wants. Consumer has the wide choices available from innumerable suppliers/vendors. Thus, in the present scenario consumer is the king, as he/she is in the buyer's market. The merchandiser has to constantly be on the watch of his/her consumers' needs and their complete satisfaction, so as to maximize the sales and profitability of the Retail Store.

In the current scenario, even a small store is expected to carry a wide range of merchandise. For example, a kids wear fashion store of size 400 square feet is expected to carry a stock of not less than 2000 pieces. It may cover about more than 200 styles or options for one season. For managing these many numbers of options, the company will have to employ a specialized person who understands his/her, consumers' needs in totality. Thus, merchandiser plays very significant role in the Retail business.

The merchandise word has been coined from the old French word, '*merchant*' which means goods. Merchandising means the buying and selling of goods with a motive to earn profit. The Oxford Advanced Learner's Dictionary defines the word 'merchandise' as goods bought and sold or trade goods. According to Business Dictionary, 'merchandise' refers to goods and commodities sold at the retail level. Merchandising focuses on the buying, presenting, and selling of merchandise. This includes all related activities such as advertising, display, and promotion of merchandise involving the retail customers. According to American Marketing Association, **merchandising is the planning involved in marketing the right merchandise at the right place at the right time in the right quantities at the right price.** To this definition, we can further add "marketing to the right target customers." This addition may give a completeness to the merchandising process. Many Retailers would vouch for achieving the perfect balance among the right merchandise, right place, right time, right quantity, and right price as a great challenge. Retailers who can achieve them are surely successful in their venture.

Grace Kunz has tried to capture the essence of merchandizing when he defines merchandising as the planning, developing, and presenting of product lines for identified target markets with regard to pricing, assorting, styling, and timing. Nora Aufreiter et al. have tried summarizing the concept of merchandising very succinctly as follows: **'Merchandising is not a synonym for the buying function, it is an integrated, end-to-end business process that runs from planning the assortment, to sourcing, to distribution, to allocation of the goods to the stores, to promoting and selling the assortment to the customers and finally to replenishing inventory as necessary.'**

The other activities that make merchandising effective, such as advertising, displaying, creating an attractive ambience, harmonious reception of the visitors i.e. prospective customers. In fact, Merchandising is the art of marketing the right merchandise at the right place at the right time in the right quantity at the right price. The success of the merchandising lies in these five 'Rights'. In the absence of these five rights, the retailer cannot be successful in his endeavor. Different authors have emphasized different points in the context of merchandising. For example, Grace Kunz has emphasized on the planning, developing and presenting of the product lines to the target markets with regard to the styling, assorting, timing and pricing. Lewison on the other hand has advocated that merchandising is the process of developing, obtaining, pricing supporting and communicating the retailer's merchandise offering.

1.3 KEY ELEMENTS OF MERCHANDISING

According to Walters and Hanrahan, (Retail Strategy, Planning & Control), the Retailer must take strategic direction in the four key elements i.e. Merchandise Strategy, Communication Strategy, Customer Service Strategy, and Format and Environment Strategy. Let us learn them in detail.

Merchandise Strategy: A merchandise strategy is based on the concept of targeting the right people with the right merchandise at the right time at the right place. Here the right people mean the right customers the retailer wishes to target. The right place implies that the store should have sufficient floor space and an appropriate ambience. Depending on the location of the store and the inhabitants, the retailer will offer the appropriate quality and the pricing of the merchandise.

Communication Strategy: Effective communication is very important for a successful merchandising. It requires an effective strategy – a coherent plan of action. It should take into account the goals and objectives of Retail Firm, the features of the Products and Services and the environmental condition.

The marketer makes an effort to persuade wholesale and retail channel members to stock and promote certain products. He/she tries to enforce that the consumer demands certain products or brands from retail channel members.

Customer Strategy: Customer satisfaction is the utmost important for a successful retail enterprise. A high-quality customer service must be provided on the reception desk itself. It requires excellent communication skills of the Retail staff. The employees must be patient while dealing with the customers. They should have excellent listening and telephone skills. They should be able to solve and prevent problems of the customers soft skills. There should be mechanism of feedback from the customers.

Format and Environment Strategy: Retailers are making use of customer creativity, technology and processes to develop new strategies for store format. They are focusing to delight customers by ensuring that the right products are delivered to store shelves. They are making effort in such a way that, the space is being managed well. At the same time, they should possess adequate right staff is deployed to provide an appropriate level of customer service.

From the above key elements, it is observed that Merchandise Strategy is going to be the most crucial one. This strategy will substantially influence the other three elements mentioned above. Whether it is to decide on communication or customer service or the store format and its ambience, all these three key elements will have to be taken into account. The above strategies will also facilitate to retain the loyalty of the customers.

1.4 PROCESS OF MERCHANDISING

The process of merchandising involves understanding consumer needs, identifying & sourcing of right merchandise, deciding the right assortment, planning distribution of merchandise to different locations in the right quantities, deciding on the pricing, communicating merchandise offerings to the target customers, and taking feedback of consumers. Look at Figure 1.1 to analyse the process of merchandising.

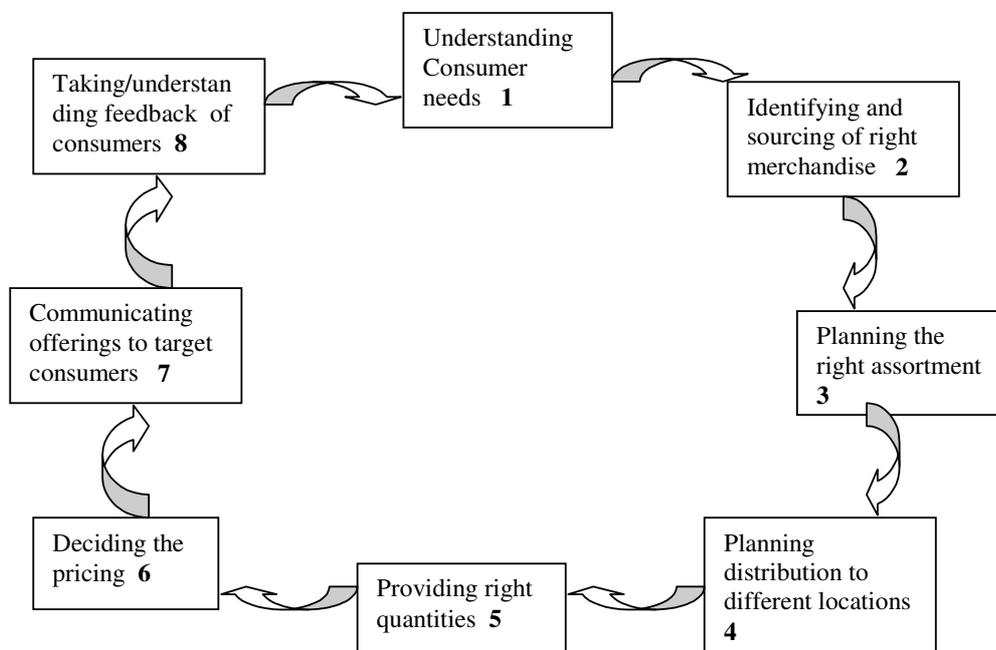


Figure 1.1: Process of Merchandising

Let us learn the steps involved in the process of merchandising. These steps are as follows:

Understanding consumer needs: The merchandiser should understand the different ways in which the consumer presently satisfies the need. Let us assume that the consumer has need for hair care. Based on the study the merchandiser may find that there are various ways in which the need is being satisfied. These may be hair soap, oil, lotion, shampoo, cream and dye. With the help of consumer survey the method/product which is most in demand for satisfying the need is ‘shampoo’.

Identifying and sourcing of right merchandise: Further, the merchandiser may need to identify the right merchandise for shampoo. For example, in shampoo the merchandiser may find that there are three variants – herbal, medicinal, and regular. The merchandiser based on the study of consumer feedback would like to know, which one is most in demand, or will help the retailer to serve the consumer needs. Suppose the merchandiser decides for ‘medicinal shampoo’. For medicinal shampoo, the merchandiser needs to identify the right suppliers/sources of this type of shampoo. He /she may like to analyse the brands like Vatika, Sunsilk, Pantene, Head & Shoulder, and Palmolive which can supply the medicinal shampoo.

Planning the right assortment: Next the merchandiser has to decide on the different sub-categorization. The sub-categorization can be made, based on the consumer need for medicinal shampoo. The shampoo may be used to treat different kinds of hair condition i.e. dull, oily, dry, normal, straight, and curly. Thus, the merchandiser must know based on past trend, experience or survey, the right quantities to be maintained under each sub-categorization. In other words, the assortment should cover needs of different hair conditions.

Planning distribution to different locations: Once the assortment is cleared then the merchandiser needs to work out the quantities to be dispatched to different distribution centres. The quantity dispatched should be based on the number of outlets in each location, the minimum stocks to be maintained, turnover ratio, the replenishment time, etc. The logistics for delivery of goods should also be taken into account.

Providing right quantities: Once the goods reach the different distribution points, the goods further needs to be sent to each of the outlets in the region. For this the retailer will take into account the consumer requirement in each of the stores based on previous sales trends or its own study of consumer needs. Thus, for each store its requirement in terms of different assortment is worked out and the goods are dispatched.

Deciding the price: Once the goods reach the store, the merchandiser needs to decide on the pricing of each of the products/items. Normally, the pricing is decided at the time of assortment stage itself. In case of certain retail chains the pricing may be left to the respective store managers also, The manager will work upon prices as per the guidelines from the chief merchandiser for the product category. The prices are decided based on the gross margin policy for each of the products.

Communicating offerings to target consumers: Once, the goods are on the floor of the shop, the merchandiser will work out the visual merchandising. He/she will communicate such strategy for the given store or group of stores. The merchandiser may provide certain props and signages to each of the store to communication right messages and offerings to consumers. There could be advertisements in print media or TV or radio or hoardings etc., for giving mass publicity to the offerings.

Taking/understanding feedback of consumers: The merchandising team may decide to take feedback on different brands/items to know consumers reaction to pricing, quality, availability, display, after use effect etc. The feedback acts as a guideline for improving sourcing and assortment, so as to provide maximum satisfaction to consumers.

1.5 ROLES OF MERCHANDISERS

The role of merchandiser has gone into tremendous transformation from the historical time. Traditionally, merchandisers were really performing more a role of a merchant selling different kinds of merchandise to different towns and villages in the same country or in another country. It would be interesting to look at the historical roles of a merchandiser as explained here below.

1.5.1 Role of Merchandiser in Historical Times

The merchandiser used to perform following roles during the historical times.

- He/she was more a trader of goods.
- He/she used to move from place to place.
- He/she was not restricted to any single product or merchandise.
- He/she had to carry the whole lot of goods in all the categories of products..
- The trade was done either with exchange of money or bartering of merchandise.
- He/she must have had a good knowledge of the trends in purchases and taste of customers.
- He/she must have been a good manager of men and materials.

Over a period of time, the merchandiser's role underwent substantial change as explained below:

- He/she need not carry/take goods to a market place for sale.
- He/she need not perform many of the roles discussed in the earlier part.
- He/she has specialized himself into a particular product category and prefers to mainly deal in that.
- He has his own specialist team of merchandisers to take on the myriad tasks of order receiving, manufacturing or procuring follow-up, and finally ensuring timely supplies to the buyer.

1.5.2 Role of Merchandiser in an Export Business

The role of merchandisers in later period underwent the above change mainly due to his association with the export business. In historical times, the merchandiser himself was travelling to different countries to sell his merchandise. In the later period, the merchandiser's role became more specialized and he was assisting the businessman or the Firm. The Firms were selling goods to different countries as part of the export business. This activity is more of a business to business contact.

The new roles of merchandiser in an exporting organization are as follows:

The First Contact Person: He/she is the first contact person in an organization with whom the buyer (the buyer as a representative of the buying organization from another country) comes in contact after the top level contact has been established. He/she is also the first person in any manufacturing/ marketing organization with whom the merchandiser/buyer from the buying organization gets in touch for making preliminary enquiries.

Store house of Information: He/she is expected to be a store-house of all the information that will help him/her to provide quick and prompt details during the meetings with the buyers.

Customer's Friend/Advisor: Merchandiser should also be able to suggest a suitable quality to the buyer based on his requirement. For example, if the buyer enquires that he is looking for a medium weight quality in Knitted T-Shirt Garment, say for a summer season. The merchandiser should be in a position to suggest to the buyer a suitable quality say in single jersey or pique or any other suitable knit fabric in 200/250 GSM or something similar or suitable. Merchandiser should have good knowledge about his buyers' requirements, particularly about the buyers who are the regular ones. This helps him to make new and varied offerings to his buyers during the buying season.

Boss' Man-Friday: Merchandiser is the owner's or boss' confidante and a Man-Friday in many different ways. He/she is like an errand runner and must supply the boss with many varied kind of materials. For example, in case of garment export - right from fabric cuttings/samples, accessories, garment samples to costing information should be provided immediately. Many a times he must arrange for samples and make other arrangements at the last moment in an unexpected meeting with an unexpected buyer.

Production/ Order co-ordinator: The merchandiser must constantly remain in touch with the production unit to keep himself/herself updated with latest position on the production front. He/she must keep the production unit constantly updated with buyer's requirements. In fact, right from the point of receipt of an order till its dispatch, the merchandiser must be aware of every move or action on this front.

New Product and Sample Developer: This is one of the most important roles to be played by a merchandiser. This activity forms the basis of securing new business and hence, assumes very important role. The merchandiser needs to understand his customers' requirements during various seasons as well as know the forecast for the season. Besides, he is expected to keep in touch with local vendors /suppliers about the latest developments taking place in the local arena so as to use them in his new developments or offerings

Vendor Developer: In order to perform this role effectively, it becomes pertinent for the merchandiser to have an array of vendors/suppliers for various items of raw materials and accessories as well as for processes. For example, in the garment export business – a merchandiser needs to be well aware of new developments taking place in yarns, fabrics, accessories and new processes. These will provide him/her new ideas on new developments as well as keep him/her updated on the new trends, etc.

Purchaser of Raw Materials and Accessories: Merchandiser must arrange for purchases of materials at the best prices and of best quality and that too at right time and of right quantity. His expertise in the above role as vendor developer comes handy in performing this role most effectively. To perform this role effectively, he must have a good knack of negotiation and in-depth understanding of quality parameters of materials to be bought.

Order and Customer Updater: This is again a part of co-ordination activity but identified separately as it is more relevant from customer service point of view. There is a need to keep the customer constantly updated about the order position. This necessitates that the merchandiser must keep himself updated on various stages of order completion and fulfillment of customer's requirements on sampling and approvals.

1.5.3 Role of Merchandiser in a Retail Business

As part of the retailing business where the retailer is involved in selling to end consumers, the merchandiser's role is quite different from that of the export merchandiser. First of all, the merchandiser does not get involved with the buying and selecting suppliers or coordinating with suppliers/manufacturers and vendor development. These roles, as we saw in the unit on buying process, are specifically assigned to the buying function or to the buyer in retail organization. In a single unit - departmental store – the role of buyer and the merchandiser could be merged as one. As the business grows, these two roles are handled by two different persons, specializing in the given tasks. The personnel involved in these roles are located in the store itself. In bigger retail chains, the buyer and the merchandisers will be located at the central office, i.e. far from the actual store locations. The monitoring and control are done through the formal reporting systems or through exchange of information on the EDP system of the retail organization.

Some important roles played by a retail merchandiser can be summarized as below:

Researcher: The merchandiser needs to study buying behavior of the targeted consumers. The buying behaviour helps to understand their peculiarities in buying, the frequency of purchase for a given product, the place from where they prefer to buy, the occasions for which they buy, the preferred price-ranges, the special or salient features of the product they look for, quantities bought in a single purchase, and so on. The in-depth understanding of the target consumers and their peculiarities does help the merchandiser in determining the range of merchandise for the concerned target segment.

Planner: Once the type of merchandise or range of products is determined then the next task of the merchandiser is to plan the correct assortment. He/she may forecast the quantities necessary for the given selling season or period and finalize the budgets. This involves estimating demand of the consumer by each product type, while taking into account the economics, trend and changes expected in the competitive and retailing environment. These requirements are transmitted to buyers of each product type for working out their individual buying strategies.

Co-ordinator: The merchandiser is responsible for a particular product category/line and hence, he/she will be supervising the buying activities of many of the buyers working on different products under the category. Merchandiser needs to co-ordinate for ensuring timely supplies in right quantities as budgeted and in right price and to right place.

Controller: The merchandiser needs to control the performance of each of the selling locations, in order to maximize sales & profitability of the retail channel. For this purpose, he/she will have to monitor performance of each of the product type under the category controlled by him/her. He/she will also monitor sales to stock turnover ratios, markdowns, and gross profitability. The merchandiser will also need to assess the performance of the buyers responsible for the purchasing of these products. The assessment may be done on the aspects of quality of supplies, timeliness, supplies in the right quantity, price competitiveness, and service from suppliers to various stores.

Visual Displays: The merchandiser will have to ensure that the product display is most effective in terms of their pick-ups by consumers. For this, he may use services of a professional visual merchandiser (VM). In many organizations, merchandisers work out the week-wise/fortnightly/monthly display plans along with their VM personnel.

Sales Promotion: This is another crucial function of the merchandiser. For this, he will have to work very closely with the marketing and buying departments for working out annual promotional calendar. He/she may carry out implementation of different promotion schemes like special festive promotions during major festivals of the particular region or back to school in case of kids products or end of season sales and so on. Sales promotions are the essential activities in the merchandiser roles as he/she has to be constantly aware about the sales trends and to ward off any expected and unexpected dips in sales. This may facilitate maximization of profitability and return on investment for the store as well as for the organization.

Trainer: Another very important role the merchandiser needs to perform is that of a trainer. He/she needs to train their assisting staff and buyers on many aspects like imparting product knowledge, knowledge about consumer tastes and buying patterns, working of price, working of markdowns, maintained mark-ups, actual mark-ups, and so on. At the store level, the merchandiser needs to interact with counter sales representatives, department managers and store managers whenever any new product is to be launched or any special promotion schemes are to be run on the floor.

Motivator: The merchandiser needs to manage a team of people who work under his supervision. Generally, the personnel that report to him/her are buyers, assistant merchandisers, and visual merchandisers. Merchandiser needs to constantly be in touch with his team and guide them in various functional matters besides facilitating their operational efficiency in various merchandising related matters. Besides his team mates, he/she needs to liaise with store managers, departmental managers and vendors. He/she makes an effort on integrating all the related activities of all the personnel for achieving optimum profitability for the store and the organization.

Thus, we can see that merchandiser has to perform many important roles in meeting his profitability and sales goals.

Check Your Progress A

1. Outline key elements of the retailing strategy.
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2. What do you mean by Merchandising?
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3. Enumerate any three roles played by the export merchandiser.
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4. Draw the process of merchandising.
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5. Enumerate any three roles played by a retail merchandiser.
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1.6 MERCHANDISING PHILOSOPHY

You have already learnt about concept and key elements of merchandising, the process of merchandising and roles of merchandisers. Let us now learn about the merchandising philosophy, merchandise types and hierarchy. It is important to understand the philosophy of the company when it has to finalize its merchandising plan. Every Retailer or Retail Organization necessarily has to work with a certain philosophy for its merchandising operation. The philosophy is determined by the strategic route the Company decides to take, or it could be the philosophy the Organization decides to work with.

Let us take the example of an Organization which wants to take the '*mass market route*', like say in case of Big Bazaar, the hyper super market. Naturally, the company will have to make a choice between marketing or merchandising philosophy - affordable but with reasonably good quality – and low priced. Suppose the Company decides to go by the philosophy of affordability with reasonable quality. The merchandiser of a particular product line, say clothing for men, would naturally first of all have to decide on its target consumers, that will suit to the mass market strategy. The philosophy of affordability with reasonable quality may consider age group, income group, socio-economic segment, consumers' level of preferences for different product categories in men's clothing – shirts, trousers, jeans, T-shirts, etc. The price range in which each of these products are most preferred by the target consumers, the type of products preferred by the target consumers – in terms of styling – designs, etc. You may see from the above example how a strategic route decides on the merchandising or marketing philosophy of the organization and thereby its product lines.

Similarly, for *niche marketing strategy*, say for niche products, which are designed for a specific need and whose marketing is aimed at a specific audience. The company may decide on its marketing/merchandising philosophy - whether to go for high priced or medium priced product lines. The company may finalize on its whole range of products or brands within each of the lines.

Many a times the vision of the Company too may determine the merchandising philosophy of the company. For example, Raymond's brand vision is - brand that projects a complete man or meant for man of achievements. Thus, the whole buying and merchandising team of Raymond would now work on understanding every aspect of its target consumers. This would help in determining the final collection to be presented to the consumers.

The merchandising philosophy may also help in determining the clear cut profiles of the buyers and merchandisers in a team. For example, Debenhams is a leading department store group with a strong presence in women's wear, menswear, home-ware, health and beauty, lingerie and children-wear. The aim or philosophy of the buying and merchandising team is to source future best selling lines, be it ranges of home products or designer clothing.

In case of Debenhams, the Buyer plays a crucial role. Let us look at the profiles of a buyer and a merchandiser which translate its philosophy into a reality.

Buyer: They take charge of the overall style and direction of their respective departments and work closely with merchandisers and designers and Quality Assurance teams so that all elements of the product make them irresistible to customers. They must be numerate – as it is all about making money for Debenhams. They should possess outstanding people management and negotiating skills, along with an instinctive sense of fashion. Apart from operations based at the UK store, they also have roles working in the Direct Division, sourcing stock for internet customers. In International activities, developing ranges suitable for the Company's overseas franchise partners.

Merchandising: It works closely with the buying teams as these teams use their commercial acumen to select the product and ranges with the biggest selling potential. According to Swapna Pradhan, merchandisers achieve the desired bottom-line results through crucial and tactical decisions about positioning and quantities. Their financial expertise, ability to interpret data, and close interaction with stores, suppliers, and distribution teams ensure that the Company gets the best sales results. Merchandisers have a business to run with a portfolio that extends across an entire range and in

some instances even influence designer products. They are free to make business transforming decision.

The above examples give us a good perspective of how the merchandising philosophy of the Company helps us on so many important aspects related to the merchandising decisions.

1.7 MERCHANDISE TYPES

There are various types of merchandise or consumer goods used by end consumers. Understanding these types will greatly help in determining the strategies that are suitable for selling each of these types. Consumer goods/merchandise fall into four subgroups as explained here below:

Routine or Convenience Products

The features of routine or convenience products are:

- These are routine products like daily use items – which are bought and used in a routine manner.
- These products are purchased with a little effort as possible, frequently, and in small quantities.
- These are not high priced products but generally low priced ones.
- These products are purchased for their functional purpose.
- These products are available at numerable locations in variety of outlets.

Convenience products can be further divided into staple goods, impulse goods, and emergency goods. Let us learn them.

Staple goods/merchandise are purchased on a regular basis and will include most food and grocery items.

Impulse goods are purchased out of impulse without any prior plan before entering the store. The product itself, its display, its packaging, and price are important elements in the sale of such merchandise.

Emergency goods are the items or merchandise that are needed due to certain emergency or unexpected need, and needed immediately. These items may be purchased at a higher price or at whatever available price. For example, a pain reliever or a headache relieving pill.

Shopping Products

The features of shopping products are as follows:

- These are the products for which the consumer spends considerable time and effort to buy.
- Consumers are ready to shop around to compare features and prices of competing products before making a purchase.
- These are bought less frequently.
- These products are more expensive and are available at few select stores.
- These products need more of personal selling on the part of the store sales representative.
- These merchandise include TV, cars, home appliances, homes, etc.

Specialty Products

The features of specialty products are as follows:

- These products are very much important to consumers due to certain emotional associations with such products, and hence, they make special effort to find them.
- The consumers are unwilling to accept a substitute for the preferred product.
- Retailers play very important role in the sales of these products as they need to have sales representatives who have good product knowledge. They are ready to take certain extra efforts to understand the needs of its consumers.
- Thus, the marketers of these goods limit their distribution in order to ensure strong sales support at the store level.
- These include stereo equipments, large digital TV, musical instruments, some branded men’s clothing.

Unsought Goods

The features of unsought goods are as follows:

- These are the merchandise that consumers are not much aware of, and even if they are aware of have not considered buying them.
- For example, certain medical services or accident insurances, which are known to many consumers but are not sought for. Similar is the case with encyclopedias, which are known but not so much sought after.
- These goods need lot of publicity of convincing nature and good effort at personal selling level, as one generally finds with insurance selling agents.

1.8 MERCHANDISE CLASSIFICATION/HIERARCHY

This is the method followed by big Retailers to classify the products. It is a logical way in which the products are classified, based on the manner in which the consumers are likely to buy the products. Look at Figure 1.2 which shows the normal hierarchical classification for a product sold by a retail outlet.

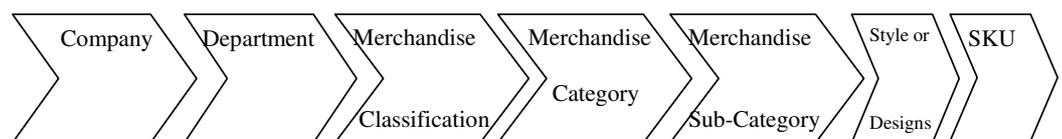


Figure 1.2: The Merchandise Classification/ Hierarchy

(Source: Swapna Pradhan, Retail Merchandising)

Look at Figure 1.2 which shows the classification of merchandise. The merchandise classification may be carried out on the following levels:

- It is the Company or the Retail store at which the first stage of classification takes place. Each Retailer or Retail Organization will have its own method of classifying its product range based on the definition or classification factors it may use.
- The second level of classification happens at the department level for example the departments could be Apparels or Leather or Perfumes or Beauty care Products, etc.

- The third level of classification is on the basis of Merchandise Classification, e.g. Men's or Women's or Kid's in the Apparel section.
- The fourth level of classification is at the level of Merchandise Category, like for example for Men's Apparel we can have categories like Shirts, Trousers, Denims, Jackets, kurtas, etc.
- The fifth level of classification could be at the level of Merchandise Sub-Category, e.g. the sub-category in the Shirt could be formal and casual.
- The sixth level of classification is in terms of style in formal sub-category could be buttoned-down and stand-up collar.
- Finally the classification could be at the size level, which is the SKU for the Men's Apparel section.

The hierarchy or classification can happen on many levels. As you can see from Figure 1.3, the classification is happening at a total of eleven levels, and each

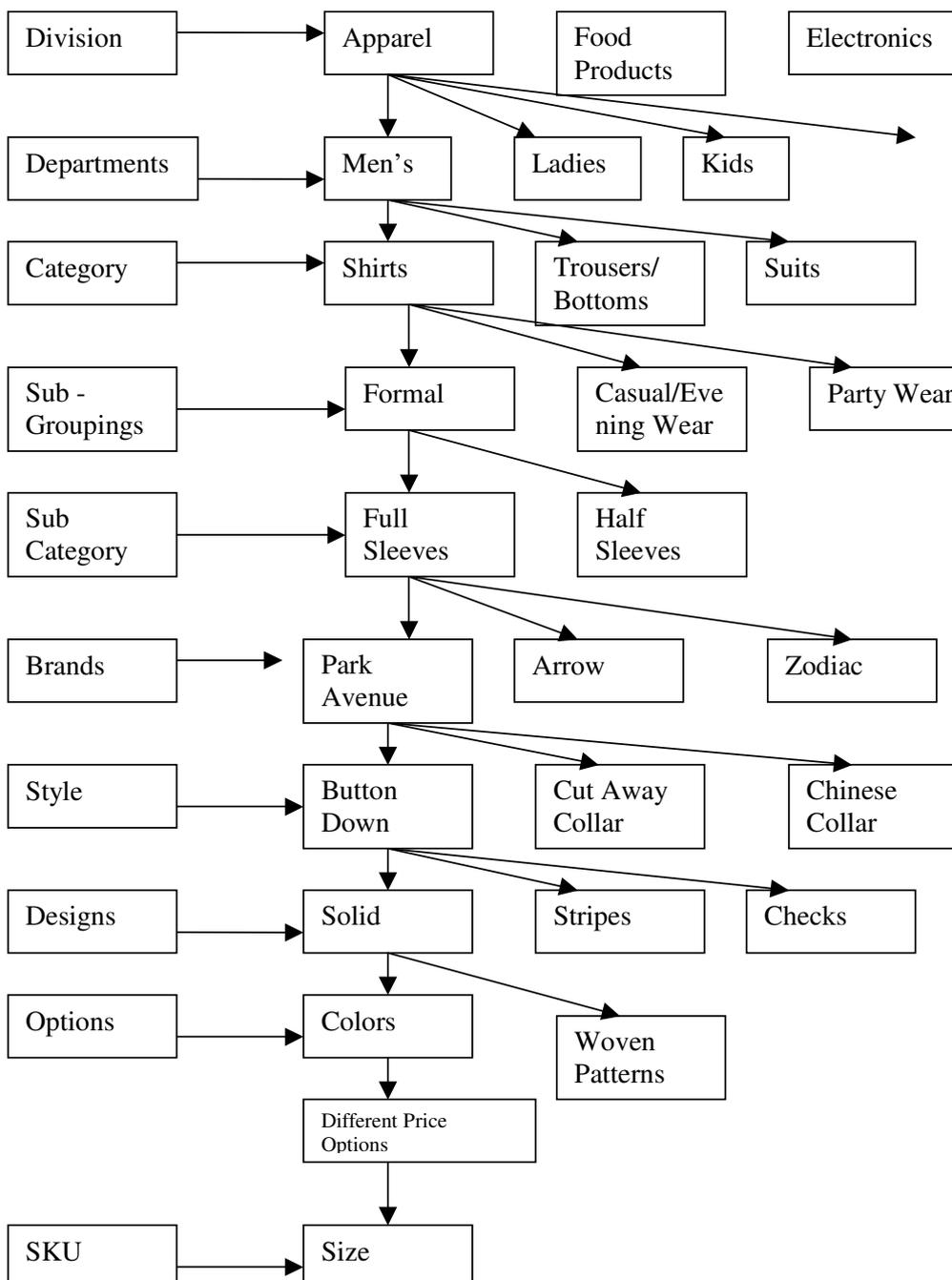


Figure 1.3: Product Classification/Categorization Based on Consumer Need
 (Source: RM Chiplunkar, Product Category Management)

classification level offers certain specific benefits to the consumer segment which is looking for the said benefit. The classification or categorization is done on the basis of consumer need. While doing this classification, you must take care to see that the sub-group or sub-category is preferred by a substantial section or segment of the consumers in order to justify the said grouping. Merchandise hierarchy helps not only in classification of a product class but in also grouping of benefits offered by various sub-groups. The company may design certain schemes for improving sales of the particular group of products falling under the given sub-group based on various sub-groups. The classification also helps the head of the merchandising line or Product Category to determine on the manning of each of the classification, including the buying. Thus, Head Merchandiser or Vice-President Merchandising of Apparel section may decide to have separate Senior Merchandisers to handle Men's, Women's, and Kid's wear sections. If he thinks each of these sections are very large in terms of their individual business and consumer interest. He may decide to have separate team of merchandisers and buyers to look after each of the product categories like shirt, trouser and suits. Further, within a category like shirt itself, we can have next level of bifurcation on the basis of occasion to wear – formal, casual, and party-wear. Hence, the Head of the merchandising department needs to be very much analytical and research minded to understand the groupings. He/she may make effective use of promotional resources to promote each classification group successfully to earn best returns for the division and thereby to the company.

Check Your Progress B

1. What do you mean by merchandising philosophy?
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2. Distinguish between convenience products and shopping products.
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3. What is unsought goods?
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4. Enumerate any three levels of merchandise classification.
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5. Which of the following statements are true or false?
 - (i) Merchandise strategy plays a crucial role in the success of the retail business.
 - (ii) The merchandiser has to carry the goods physically to the market.
 - (iii) The merchandiser specializes in a particular product category?
 - (iv) Merchandiser and buyer is always the same person.
 - (v) Staple goods are purchased on a regular basis.

1.9 LET US SUM UP

Retailers are required to take strategic direction in the four key elements, namely the merchandise strategy, communication strategy, customer service strategy and the format and environment strategy. The merchandise strategy is going to be the most crucial one, as this one element will substantially influence the other three elements. The retailers would vouch for achieving the perfect balance among the right merchandise, right place, right time, right quantity and right price. Retailers who can achieve this are successful in their venture.

The role of the merchandiser has changed remarkably from the historical time when merchandisers were really performing more a role of a merchant. They were selling different kinds of merchandise to different towns and villages in the home country or in another country. Now the merchandiser's role has become more specialized. He/she assists the businessman or the corporations who are dealing in the export business. The merchandiser's role in the retail business involves research, planning, co-ordination, control, visual-display, sales promotion, training motivation, etc.

Every retailer or retail organization has to evolve a certain philosophy for its merchandising operation. The philosophy is determined by the strategic route the company decides to take. For example, if the company decides to go by the philosophy of affordability with reasonable quality, the merchandiser first of all will have to decide on its target consumers. There are various types of merchandise or consumer goods used by the end consumers. Understanding these types will greatly help in determining the strategies that are suitable for selling each of these types. Consumer goods merchandise fall broadly into four groups, namely routine or convenience products, shopping products, specialty products and unsought goods.

The companies classify the merchandise in a logical way, based on the manner in which the consumers are likely to buy the products. The first classification is done at the company or retail store level. The next level of classification occurs at the department level. It is followed by the classification on the basis of merchandise classes. The next level of classification is done at the level of merchandise category followed by classification at the sub-category. Finally, the classification could be at the size level.

1.10 KEY WORDS

Accessories	: Accessories are secondary items that add to or complete the main object or style.
Assorting	: A specific group of consumers at which a company aims its products and services.
Communication Strategy	: It is the “what, who, why, when, how and where” of conveying a message.
Environment	: An environment is what surrounds a thing or an item.
Format	: A plan for the organization and arrangement of a specified production.
Mall	: A large, often enclosed shopping complex containing various stores, businesses and restaurants usually accessible by common passageways.

Man-Friday	: An efficient, faithful aide or employee.
Merchandise	: The objectives of commerce, whatever is usually bought or sold in trade, or market, or by merchants, wares, goods, commodities.
Motivator	: It is the driving force by which humans achieve their goals.
Product lines	: A set of related products sold by a single company.
Raw materials	: Unfinished goods consumed by a manufacturer in providing finished goods.
Staple goods	: Consumer goods (such as bread, milk, paper, sugar) that are bought often & consumed routinely.
Styling	: A mode of fashion.
Target customers	: A specific group of consumers at which a company aims its products and services.
Unsought goods	: These are the products that either the customer does not know or does not think of buying.

1.11 ANSWERS TO CHECK YOUR PROGRESS

B5. (i) True (ii) False (iii) True (iv) False (v) True

1.12 TERMINAL QUESTIONS

1. What do you mean by merchandising? Describe its key elements.
2. How has the role of the merchandiser changed from the historical time? Explain how it has broadened his areas of activities.
3. Describe different roles of the merchandiser in the retail business.
4. What do you mean by merchandising philosophy? Giving the example of a super store, explain how is it developed for the mass market.
5. Describe different types of merchandise giving the examples of each type.

Activities

1. Visit a Mall during the 'SALES' period and study the merchandise classification.
2. Visit a Retail Store which follows the '*mass market route*' and study their strategy of keeping the prices low so that they are affordable by the general customers.