**Retail Management**
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Lecture - 02
Introduction to Retailing - Part 2

Hello everybody, welcome to the NPTEL course on Retail Management. This is Dr. Swagato Chatterjee from VGSOM, IIT Kharagpur who is taking this course for you. This is week 1 lecture 2 and we are discussing Introduction to Retailing.

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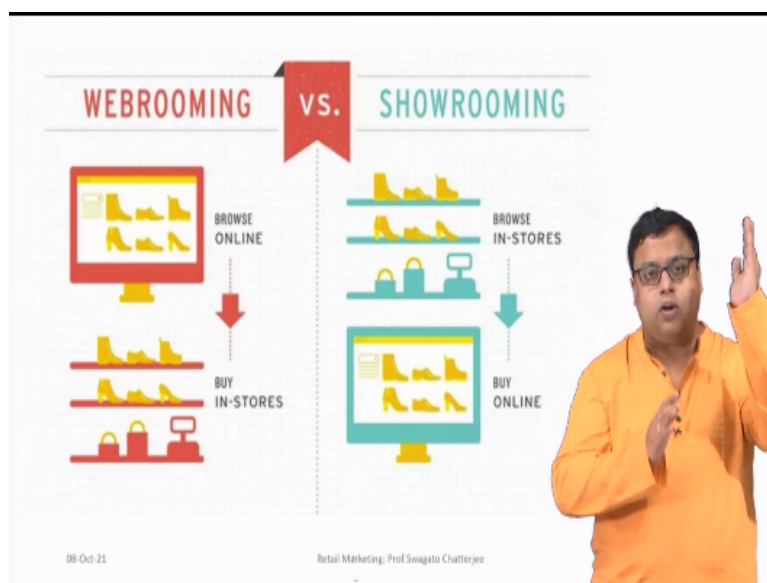
So in the last lecture, we were discussing about these two concept called Webrooming and showrooming. And these concepts become important in an omnichannel experience. Now even if omnichannel experience is not available, people will probably do this. What is webrooming? Webrooming is that people when they browse online, they do the information search.

All the, so if you remember that there are certain steps of consumer decision making theory. What are the steps of consumer decision making? The first step is need recognition. Customer should recognize that this is the product that they want to buy. The second is information search. Now this is why probably and even in the need recognition probably this browse online thing comes up.

What is the third step? The third step is evaluation of alternative. The fourth step is purchase and the fifth step is post purchase. Now in this particular case, we will focus on these two places, one is purchase and another is everything before purchase, like need recognition, evaluation of alternative and information search.

Now generally these three things happen together or at least information search and evaluation of alternatives happen together. Now if that happens together, if this whole procedure is happening online and then you are purchasing in the store, then that is called a webrooming.

On the other hand, if the whole procedure of information and search and etc., is happening inside the store, and then you are purchasing online, that is called showrooming. Now in which kind of context which one will happen? So I will give you a real life example about myself. So when I was doing my PhD and later years of my PhD, I had a new family and hired to set up certain household in Bangalore.

So I was buying, I was about to buy a washing machine. Now I was very cost conscious at that time. You see, I am doing my PhD, my income was around 30,000 40,000 rupees per month and my wife was also doing an income, something like that. But so middle class family. And we were going to buy a certain product of washing machine.

So what we did is nearby store wherever it was there, we went there and we checked which washing machine is good, which washing machine is bad, which did not have much of an information we discussed up with this particular person. It was around let us say around say seven, eight years ago from now.

So after discussing with the salesperson and etc., we thought that okay, this is the product that I am going to buy. And this guy told that x is the price of that particular product. So what I did is I came back home, I did not buy on that day, I came back home and then I searched the product online and also checked the reviews of that

product and also checked that whether the delivery of Flipkart or Amazon is happening properly or not for that particular product.

Now once I was satisfied, I saw that the price that is there in online is lower than x one whatever was the price quoted in the brick and mortar store. So I bought it in online. Now why did I buy in online? I bought this particular thing in online and why did I buy because I was pricing conscious at that point of time.

Now in the same thing when I was buying AC, now AC is generally bought by people who are a little bit above the group of people who buys the washing machine. Washing machine you will see in the houses of probably middle class family members which are lower middle class as well. AC often you will see through mid-range to higher range places.

So let us say another 20, 30,000 rupees more I was started when I started earning per month I went to buy an AC. Now unlike washing machine AC requires a lot of service. You know that every I would say year you need probably one service. That service will be provided by the company.

But at least if the company does not provide the service you should be connected with a group with a human being, certain technicians inside the locality, who can give the service to you. Also AC is a product whose price is a little bit higher than washing machine in general. So you might be more conservative approach, you might take more conservative approach in this particular case.

So again the same thing I did, but I did exactly the opposite. I did all my online search and etc., studying of the reviews, getting idea about the brands, which brand is bad, which brand is good in online. But when I purchased I go into the local store, big store, but local store. Why, because I knew that anything bad happens I can go and physically catch this person.

I also knew that okay, when somebody comes up and installs it he will not be a person who will be managed centrally. He will be a person who is managed locally. So probably this person is also staying locally and I might get his mobile number and etc. So next time when the services are required, I can call this person directly. So these are the two experiences of in the same product category.

Both the product category is home appliances. But in one case, I went for showrooming and in one case I went for webrooming. Sometimes it depends on my own factors, how this sponsors how risk averse how risk seeking I am, how price conscious I am. Sometimes it depends on the product category, whether the product category itself is high price or low price.

Sometimes it depends on life stage. So there are so many different factors, which might impact people's decision that whether they will go for showrooming and webrooming. Now this information is important because if in your customers, whoever is your customer, let us say if you are Best Buy who sells more this home appliances or electronic products.

Or let us say you are Toys R Us who sells toys or let us say you are Big Bazaar who sells groceries. Depending on who you are, you have to also identify that which kind of customers are there. Are they single channel customers, are they multichannel customers? If they are multichannel customers do they sync between those channels. Are they consistent with their channel choice.

If it is a multichannel customer, is he consistent? Is he always do the online search in certain cases and offline purchase in certain other cases or he mix and matches? And if he mix and matches, based on what? Because if I know this, then depending on the stage of the consumer purchase process, I can target the customer properly.

If the consumer is searching online, and all my information and etc., I am bombarding in a offline space in my own retail store and my online website does not have all those information, does not have feature to compare one product with another product. If

those things are not there, then there is no point. For example cars. We do all our research online but the final purchase and etc., we do it offline.

So you need personalized services in the offline space for car when you are selling car. But you should also be ensured that all your information about the cars you do not give all the information in the showroom. In the showroom, you will not see huge list of information. One is that that is not possible to give. Second is this is, ultimately this is not visually attractive.

Information, text and numbers are not visually attractive. So if you put all those numbers in your retail store in your dealership shop of cars that will actually reduce the visual attraction of that particular place. And if that is the case, then the same car which was very good looking and etc., might not be so much attractive for the customers. So you give all these information in internet.

And you have to also understand that in which websites people are searching for car information. Are they searching in your website, because your website will only have your cars information. Nobody searches information about a car in the brand's website. They go to a common website where multiple brands can come up and they can search.

Now if you have to do marketing in this particular place, you have to invest money. You will have to do investments on cars.com or cars24.com or this kind of websites where people actually compare one car with another. And you have to also know that in what features people are comparing, and you have to give information about those features in that particular place.

You might also give advertisements in those places when you are launching a new product. So these ideas has to be there. And that is why what drives webrooming and what drives showrooming is a very important decision.

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	Intention to Search (Online over Offline)	Intention to Buy (Online over Offline)
Consumer Related Variables	Self-efficacy, Variety seeking behavior, Enjoyment	Perceived Risk, Enjoyment, Attractiveness
Purchase Context Related Variables	Need for touch and feel, Product Type, Time Pressure	Product Type, Time Pressure, Urgency
Channel Related Variables	Satisfaction with information	Price, Convenience,
Relationship with Intention to Webrooming	Positive	Negative
Relationship with Intention to Showrooming	Negative	Positive

So recently, we have written a paper, me and Professor Srabanti Mukherjee from IIT Kharagpur has written a paper. I will share the link of this particular paper in this PPT. When you get this PPT from NPTEL platform, you will get this link of that particular paper. You can read the paper where we have divided the factors, which impact this webrooming and showrooming in this kind of cases.

For example, consumer related variables, purchase context related variables and channel related variables. So some variables are about the consumer. If the consumer has high perceived risk, he will go for online. So he will buy it online, intention to buy is online over offline, his perceived risk is high. If he wants enjoyment, if he wants attractiveness, then he will probably go for online.

At the same time if the self-efficacy is high, that means he knows that I can search a lot, I know how to search in internet, he will go for online search. If he has a variety seeking behavior he will go for online search. Enjoyment is something that leads to purchase of online. So enjoyment in comparison to offline I am saying, that if you enjoy online environment mode, you will go to online search, online buying.

If you enjoy offline environment mode, you will go to buy offline and you will search also offline. For example, let us say you sometimes enjoy to go to window shopping with your friends. Now window shopping or just going around inside this product

catalogs and product merchandises, many people actually like that. Now if you feel enjoyment from there, you might probably go for an offline purchase.

But if you are the other kind of person who loves to do it online, who wants to search online, then they will go for online. Then next is purchase context related. For example if there is a need of touch and feel, for example dress. Dress often requires the need of touch and feel. Not all kind of dress. If it is a daily casual usage kind of dress you might not bother.

But if it is very special dress which requires touch and feel, which requires the how it looks like. Let us say it is your some wedding anniversary or wedding reception's dress or certain program function's dress where touch, feel, looks etc., angles of the look etc., everything matters, you might want to go to search in an offline space.

Similarly, if you have time pressure, you will go for offline. Just now I give examples of AC and etc., depending on what kind of product you might go for offline or online. On the other hand, if you have urgency and time pressure, not only you will do search in an offline space, but you will also buy it in offline space. There is a slight difference between time pressure and urgency.

The word time pressure means you do not have time, you do not have time to spend on this particular activity. When people do not have time to spend in purchasing activity, they go for online search and online buy because commute towards the brick and mortar store takes time. That is different. Time pressure means I am a busy person. But urgency means I require it very soon as the one that I will give you example, interviews.

Tomorrow you have an interview, today you have to buy something. So what will you do? You will go for offline purchase. So that is also an important factor. Then information availability. If the website, this is basically channeled related. If the website channel does not have any information, how will you search online? You will go for offline purchase only or offline information search only.

On the other end price and convenience leads to online purchase because online has less talking cost. That is why less price. Online is more convenient because you can sit at your home and search. So these are some of the factors that lead to. Now whether you will intend to search online, or you will intend to search offline, and that will lead to webrooming and showrooming.

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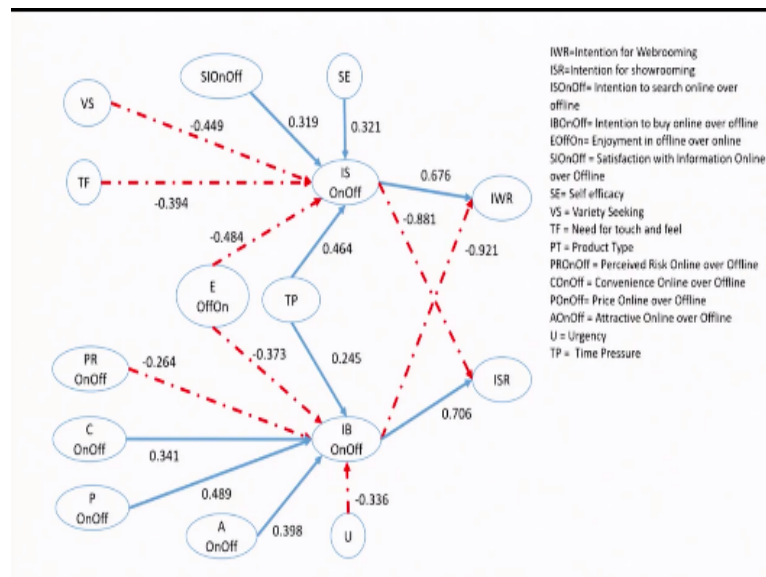
So this is a picture that, so in this part all these things are listed, you can read it at a later point of time. The blue lines are basically positive effects, and the red lines are basically negative effects. So I am saying that, let us say let us talk about one of them. Let us say in the below one I am saying that when I am in an urgency, you have a negative effect on intention to buy online.

So when I have urgency, I will not buy online. So if I do not buy online, if I do not buy online, I will not do showrooming. So IBOnOff intention to buy online will have a positive effect on showrooming. Showrooming means I am going to the showroom, seeing the product and then buying online. So that is showrooming.

So if I, intention to buy online is high, then showrooming has a positive effect, that is being shown. So urgency will lead to intention to buy online less and that is why showrooming also will be less. Similarly all other things like let us say perceived risk

or time pressure or information availability or all these self-efficacy etc., we created this model. We collected data from various people in different product contexts.

And some of the results we got which looks like this. Whatever we were expecting more or less we got. Some of the expectations we did not get this more details about this will be available in that particular paper.

Now what I got from this thing is basically that I have got an idea about that what kind of features, personal features, channel related features, and the purchase context related features will impact a person's purchasing behavior or channel choice online versus offline are different stages of purchasing process. Purchase process has different stage and you have to know that in which stage consumers are asking for which kind of choices.

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Now in the next 10 minutes of this particular video, we will talk about distribution type and futuristic retailing. So distribution type, we will focus on.

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What are the distribution types that are available in the retail store? In the retail context, there are three kinds of major distribution types. One is called exclusive, another is intensive, and the third one is selective. What is an exclusive distribution? So first of all, what is distribution? Now if I am a supplier or if I am a manufacturer, I want my retailer to sell my products.

Now when I am a manufacturer or a supplier and I want my retailer to sell my products, I want some level of commitment from the retailer. Now if I want absolute commitment of the retailer, that means you are a retailer who will only sell my product and nobody else. That is called exclusive.

That means suppliers makes arrangements with one or few retailers designating such retailers as the only ones to carry certain brands or products within a specific geographic area. Very big example is let us say the retail stores of oil, oil petrol pumps. One same petrol pump cannot give service to both Indian Oil and let us say HP or Reliance, it is not possible.

You can take franchisee of any one of them in that geographical region. Same applies for car dealership. One particular dealership cannot be dealer of multiple brands. If you are a Suzuki, Maruti Suzuki dealer, you are only Maruti Suzuki dealer. You

cannot be a dealer of Ford. You can have be a dealer of Ford with some other name, but ideally that particular company cannot be a dealer of another person.

So that is called exclusive distribution system. This majorly available for products which are of high volume or high cost, high-end products. The next one is intensive. Intensive means I do not care. Intensive means I may come in and I will get associated with as many retailers as possible. I will create no problem.

You can the retailer can also have relationship with as many suppliers or manufacturers as possible. It is a free open market. Selective means suppliers sell through a moderate number of retailers. There are some level of I would say hindrance on the retailers also that you can have relationship with this person, this person, but majorly there is freedom.

Now why do I, what are the positive, what are the pros and cons of these three different kinds of, so exclusive is one end, intensive is another end, in between there is selective. Now what are the pros and cons?

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Now first of all, this is a color code. Green means lowest, the purple means highest, and the yellow means medium. So you can see that selective is everything medium.

So selective we will not talk about. We will talk about exclusive and intensive. The number of retailers in an exclusive is less and number of retailers in intensive is high.

So you can reach more number of people if you go for intensive one. Then the potential for conflict, potential for conflict between multiple retailers is also less. You will see if there is an (()) (21:15) in your locality, the nearest next one will be only 10 kilometers away for Maruti Suzuki or nearest Indian Oil petrol pump, the distance between two Indian Oil petrol pumps is some kilometers.

So within the retailers, conflict will be less, which will be absolutely high in the context of intensive distribution because these two retailers are basically competing with each other. They have no promises from the manufacturer that okay you and this guy will not get competition. I will ensure that some people comes in both of your retail stores, there is no such thing.

So they are absolutely in competitive mode. Support from supplier, because this is exclusive, because I am giving only, I am selling only Maruti, Maruti should give me lots of benefits. Maruti should do advertisement, Maruti should ensure availability of the product, Maruti should give me support services.

So all those stuff that the retailer claim from the manufacturer is generally high in an exclusive distribution. Intensive distribution, there is no benefit for you. The supplier sales is generally low in this context and high in the intensive distribution context. When my supplier sales is high I do not care. I will not care that whether I go with this retailer or that retailer.

Because anyway the product is getting sold. It is not retailer dependent. But cars is retailer dependent. If the retailer is not there, nobody will buy that car, whatever other car is available, they will buy that. Retailer's brand selection is very low, because generally they also focus on the highest moving brand within the brand, within the umbrella brand of the manufacturer, which is very high for intensive.

Product image or retailer image in this context is not its highest in this in the context of exclusive distribution and in this particular context it is lowest. Similarly competition among retailers like conflict is low competition is also low in this case, in case of exclusive and in intensive it is high. So in simple words, if the product sells on its own, then that retailer, exclusivity of retailer is not required.

Manufacturer will go with any retailer available, whoever gives you better deal, whoever can sell your product more at a lower margin, they will go with them. But if the product is such which requires specialized attention, for example cars or let us say electronic products or petrol pumps, where the location is very important.

So in such kind of contexts, the retailer's presence or exclusivity of the retailers are very important, because they are the person who is ensuring the sales. The brand name does not ensure the sale and this kind of context people will go for exclusive distribution strategy. They will not go with intensive distribution strategy.

So in all other cases, this is selective, it is middle range. So we will see that how these distribution strategies are adopted in various context as we go ahead with the particular course. We will stop here. In the next video, I will discuss about different kinds of formats or different kinds of technologies, first of all technologies.

Then in the next week we will talk about formats, different technologies that has come up in the context of retail. Thank you very much. I will see you in the next video.