



B.Com Honours

Semester III

Calicut University

RETAIL BUSINESS MANAGEMENT

Course Code: COM3MN208 • Module 2 Notes

Module II: Understanding Retail Consumers & Store Formats

Covers shopper psychology, retail store format classification, store location selection models, positioning strategies, and visual merchandising techniques.

Unit 6: Factors Influencing Retail Shopper Behavior

Shopper decision-making is shaped by Demographics (age, income), Psychographics (lifestyle, status), Social influences (peers, family), and In-store Environmental Factors (lighting, music, shelf layout).

Unit 7: Types of Retail Stores – Format Classification

Supermarket: Large self-service store selling groceries (e.g., More).

Hypermarket: Massive store combining supermarket and department store lines (e.g., Lulu Hypermarket).

Specialty Store: Narrow product line with deep assortment (e.g., Croma for electronics).

Unit 8: Factors Affecting Retail Location & Location Analysis

1. Location Types: Freestanding sites, Downtown CBDs, Strip centers, and Regional Shopping Malls.

2. Trading Area Analysis (Reilly's Law of Retail Gravitation): Primary Trading Area (50-70% customers), Secondary Area (20-30%), and Fringe Area.

Unit 9: Store Positioning & Retail Brand Identity

Establishing a distinct retail brand image in target customers' minds based on price, quality, merchandise depth, and service level (e.g., Zara = Fast Fashion vs DMart = Value Discounting).

Unit 10: Store Design, Layout, & Visual Merchandising

1. Store Layouts: Grid Layout (supermarkets - maximises floor space), Free-Form Layout (boutiques - encourages browsing), and Loop/Racetrack Layout (department stores).

2. Visual Merchandising: Use of planograms, focal points, end-cap displays, and sensory lighting to boost impulse buying.

Practical Problem 1 (Retail Trading Area Footfall & Store Sales Potential Calculation): A retail developer evaluates a proposed hypermarket location. Demographic & trading area metrics:

- Total Target Households in Primary Trading Area = 50,000 households.
- Average Annual Grocery Spend per Household = Rs. 1,20,000.
- Expected Market Capture Share (Market Penetration Rate) = 15%.
- Target Average Store Sales Density = Rs. 15,000 per sq. ft. per year. Calculate (a) Total annual retail market potential in trading area, (b) Expected annual gross sales for proposed hypermarket, and (c) Optimal store floor size in square feet required.

Step-by-Step Solved Location Computation:

- **1. Total Annual Trading Area Market Potential:**

Market Potential = 50,000 households × Rs. 1,20,000 spend = Rs. 600,00,00,000 (Rs. 600 Crores)

- **2. Expected Annual Hypermarket Sales (15% Capture Share):**

Expected Annual Sales = Rs. 600 Crores × 15% = Rs. 90,00,00,000 (Rs. 90 Crores)

- **3. Optimal Store Floor Size Required:**

Store Size (Sq. Ft.) = Expected Annual Sales (90,00,00,000) / Sales Density (15,000) = 60,000 Sq. Ft.

Conclusion: The developer should construct a 60,000 sq. ft. hypermarket to capture the projected Rs. 90 Crore demand!

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