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BBA	SEMESTER V	UNIVERSITY OF KERALA	COURSE CODE: UK5DSEMGT307

SERVICES AND RETAIL MARKETING

EXAM REVISION NOTES

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MODULE I

FOUNDATIONS OF SERVICES MARKETING AND SERVICE DESIGN

Services Concept and Economic Definition: Services represent intangible deeds, performances, processes, or efforts rendered by one economic entity to another that produce value, utility, or psychological satisfaction without resulting in the transfer of physical ownership or permanent material possession. According to Christian Gronroos, a service is an activity or series of activities of a more or less intangible nature that normally, but not necessarily, takes place in interactions between the customer and service employees, physical resources, goods, or systems provided as solutions to customer problems.

The Four Distinctive IHIP Characteristics: 1. Intangibility: Services cannot be seen, tasted, felt, or inspected before purchase; increases perceived consumer risk; managed by tangibilizing the service through physical cues, branding, and explicit guarantees. **2. Inseparability (Simultaneous Production and Consumption):** Services are produced and consumed in real-time; the customer is physically or digitally co-present as an active co-creator; front-line boundary spanners deliver quality directly at the encounter. **3. Heterogeneity (Variability):** High reliance on human labor and customer disposition creates service outcome inconsistency; controlled through Standard Operating Procedures (SOPs), extensive employee training, and automated workflows. **4. Perishability:** Services represent transient capacity that cannot be stored or inventoried for future resale; an unoccupied hotel room or empty flight seat is revenue lost forever; managed via dynamic yield pricing, reservations, and capacity synchronization.

The Goods versus Services Continuum (Lynn Shostack): Offerings exist along a continuous spectrum ranging from pure tangible goods (e.g., salt, soap) with zero service component, to hybrid offerings (e.g., dining at a restaurant, buying a car with service warranties), to pure intangible services (e.g., university degree instruction, psychotherapy, investment advisory) where value resides entirely in expertise and relational assurance.

Search, Experience, and Credence Qualities (Nelson-Darbi-Karni Framework): Search Qualities: Attributes verifiable prior to purchase (color, style, price, mechanical fit; dominant in manufactured goods). **Experience Qualities:** Attributes discernible only during or post consumption (taste, comfort, courtesy, handling speed; dominant in vacations, dining, haircuts). **Credence Qualities:** Technical characteristics impossible for consumers to evaluate confidently even post-consumption due to knowledge asymmetry (complex surgeries, legal defense litigation, structural civil engineering; requires deep institutional trust and accreditation).

Christopher Lovelock's Service Classification Matrix: Categorizes services across two operational axes: **Nature of Service Act:** Tangible actions versus Intangible actions. **Direct Recipient of Service:** People versus Possessions. This yields four distinct quadrants: **People Processing:** Tangible deeds directed at human bodies (passenger airlines, hospitals, hair styling). **Possession Processing:** Tangible deeds applied to customer physical assets (freight transport, auto repair, equipment maintenance). **Mental Stimulus Processing:** Intangible deeds directed at customer minds (higher education, theatrical entertainment, digital streaming). **Information Processing:** Intangible intellectual or digital processing applied to customer financial or data assets (investment banking, legal drafting, cloud SaaS software).

The Services Marketing Triangle (Gronroos, Bitner, Zeithaml): Relational paradigm linking the Company (Leadership), Employees (Providers), and Customers through three essential marketing pillars: **1. External Marketing (Making Promises):** Company-to-Customer communications (advertising, public relations, pricing) setting realistic expectations. **2. Interactive Marketing (Delivering Promises):** Frontline Employee-to-Customer service encounters fulfilling or breaking corporate promises at moments of truth. **3. Internal Marketing (Enabling Promises):** Company-to-Employee support systems (training, motivation, technological tools, empowerment) enabling staff to deliver on external promises.

Service Blueprinting Methodology (Lynn Shostack): Comprehensive visual flowchart mapping the entire service delivery system. Encompasses five structural components: **1. Customer Actions:** Chronological steps taken by the customer throughout the journey. **2. Onstage (Visible) Contact Employee Actions:** Direct face-to-face front-line deeds visible to the patron. **3. Backstage (Invisible) Contact Employee Actions:** Behind-the-scenes deeds hidden from customer view. **4. Support Processes:** Internal administrative and IT software workflows facilitating service staff. **5. Physical Evidence:** Tangible artifacts and environmental cues encountered at every touchpoint. Delineated by three boundary lines: **Line of Interaction** (separates customer from front-line staff); **Line of Visibility** (separates onstage from backstage); and **Line of Internal Interaction** (separates contact employees from support IT systems). Blueprints isolate **Fail-Points (F)** and **Wait-Points (W)** to deploy fail-safe poka-yoke mechanisms.

The Flower of Service Model (Christopher Lovelock): Represents the service product as a central **Core Service** (fundamental benefit sought, e.g., overnight lodging or flight transit) surrounded by eight supplementary petals divided into two groups: **Facilitating Petals:** Information, Order-taking, Billing, Payment (mandatory for service execution). **Enhancing Petals:** Consultation, Hospitality, Safekeeping, Exceptions (value-adding competitive differentiators).

MODULE II

THE EXTENDED SERVICES MARKETING MIX (7 PS) AND SERVICE RECOVERY

The Extended Services Marketing Mix (7 Ps Framework): Formulated by Bernard Booms and Mary Jo Bitner, augmenting McCarthy's 4 Ps with **People**, **Physical Evidence**, and **Process**. In service organizations, these three extended elements constitute the operational interface through which customer value is experienced and perceived service quality is determined.

People — Front-Line Boundary Spanners and Emotional Labor: Frontline contact personnel act as **Boundary Spanners**, bridging internal corporate hierarchies with external market environments. Boundary spanners face severe operational pressures: **Role Conflict:** Person-role conflict (corporate rules versus personal empathy) and organization-customer conflict (strict cost policies versus customer requests). **Emotional Labor (Arlie Hochschild):** Effort required to display organizationally mandated emotions (smiling warmth, calm patience); encompasses **Surface Acting** (feigning superficial smiles, leading to employee burnout) versus **Deep Acting** (authentically modifying internal feelings to empathize with customers, driving true service excellence). **Front-Line Empowerment:** Granting frontline staff discretionary authority and financial budgets to resolve customer grievances instantly without managerial delays.

The Service-Profit Chain (Heskett, Sasser, Schlesinger): Establishes demonstrable financial linkages: Internal Service Quality (workplace design, training, tools) → Employee Satisfaction → Employee Retention and Productivity → External Service Value → Customer Satisfaction → Customer Loyalty and Retention → Corporate Revenue Growth and High Profitability.

Customer Expectations and the Zone of Tolerance: Expectations operate across a continuum bounded by **Desired Service** (what the customer hopes and aspires to receive) and **Adequate Service** (the minimum acceptable threshold of service tolerated without outrage). The intermediate psychological band is the **Zone of Tolerance**. For core Reliability dimensions, the zone of tolerance is exceptionally narrow; for Responsiveness and Tangibles, the zone is wider.

The Gaps Model of Service Quality (SERVQUAL): Formulated by Parasuraman, Zeithaml, and Berry, diagnosing five operational breakdowns: **Gap 1 (Management Perception Gap):** Disconnect between customer expectations and executive understanding. **Gap 2 (Service Standards Gap):** Disconnect between executive understanding and customer-defined service specifications. **Gap 3 (Service Delivery Gap):** Disconnect between service specifications and actual employee execution. **Gap 4 (Communication Gap):** Disconnect between actual service delivery and external advertising promises. **Gap 5 (Customer Perceived Quality Gap):** The cumulative deficit between customer expectations and experienced perceptions; Gap 5 equals f(Gap 1, Gap 2, Gap 3, Gap 4).

Physical Evidence and the Servicescape Model (Mary Jo Bitner): The physical environment in which service is assembled and delivered. Operates across three core dimensions: **1. Ambient Conditions:** Background sensory stimuli (lighting, background music tempo, air temperature, scent marketing) altering physiological comfort and shopping dwell time. **2. Spatial Layout and Functionality:** Physical arrangement of counters, aisles, and furnishings facilitating pedestrian navigation and transaction ease. **3. Signs, Symbols, and Artifacts:** Explicit directional signage and implicit prestigious artifacts (marble flooring, artwork, certificates) signaling corporate competence. Triggers internal cognitive, emotional, and physiological responses, leading to outward **Approach Behaviors** (staying, exploring, buying) or **Avoidance Behaviors** (leaving, avoiding interactions).

Poka-Yoke (Mistake-Proofing) Systems in Services: Divided into **Server Poka-Yokes** (task fail-safes like surgical checklists; treatment fail-safes like mandatory polite closing phrases; tangible fail-safes like clean uniforms) and **Customer Poka-Yokes** (preparation fail-safes like appointment SMS fasting alerts; encounter fail-safes like ATM cards beeping prior to cash dispensing; resolution fail-safes like hotel keycard exit chimes).

Service Failures, Justice Dimensions, and the Recovery Paradox: When service falls below customer expectations, service failure occurs. Effective recovery restores customer equity across three dimensions of **Perceived Justice: Distributive Justice:** Tangible compensation (refunds, vouchers, free upgrades). **Procedural Justice:** Speedy, frictionless, hassle-free complaint policies. **Interactional Justice:** Empathetic, polite, and sincere personal apologies. **The Service Recovery Paradox:** Customers experiencing a service failure that is resolved swiftly and generously often exhibit higher long-term brand advocacy than customers who never encountered an operational breakdown.

MODULE III

INTRODUCTION TO RETAIL MARKETING, FORMATS, AND OMNICHANNEL CHANNELS

Retailing Concept and Economic Functions: Retailing encompasses all business activities involved in selling goods and services directly to final consumers for their personal, non-business household use. Retailers create immense economic utility by executing four primary supply chain functions: **1. Breaking Bulk (Unit Sizing):** Purchasing large wholesale pallet loads from factories and dividing them into individualized consumer units. **2. Providing Assortment Variety:** Collecting complementary merchandise from hundreds of competing manufacturers under one roof, slashing consumer search friction. **3. Holding Inventory (Temporal Utility):** Maintaining localized buffer stocks in neighborhood stores, enabling instantaneous consumer acquisition. **4. Providing Value-Added Services and Credit:** Offering demonstrations, delivery, technical installations, warranty processing, and store credit plans.

Theories of Retail Institutional Evolution: Malcolm McNair's Wheel of Retailing: Retailers enter the market as low-cost, low-margin, low-status, Spartan operators; over time, they trade up by upgrading decor, adding services, and increasing prices; eventually maturing into high-cost, vulnerable institutions vulnerable to new disruptive low-cost entrants. **The Retail Accordion Theory:** Retail institutions oscillate over historical time between broad, diversified merchandise assortments (general stores) and narrow, deep specialized lines (boutiques). **The Dialectic Theory (Hegelian Synthesis):** An established high-margin thesis (department stores) is challenged by a low-margin antithesis (discount warehouses), producing a hybrid synthesis (discount department stores like DMart and Target).

The Retail Life Cycle (RLC): Four developmental stages: **Innovation:** Disruptive new format, low initial profits, high capital risk. **Accelerated Growth:** Rapid multi-city store rollout, peak margins, emergence of format copycats. **Maturity:** Market saturation, intense price wars, pressured margins, growth limited to population expansion. **Decline:** Format obsolescence driven by technological shifts (e.g., suburban malls losing footfall to digital commerce).

Growth Drivers of Organized Retail in India: Favorable demographic dividend (65% population under 35 years); accelerating urbanization; double-income nuclear households; widespread smartphone penetration and frictionless Unified Payments Interface (UPI) micro-transactions; and progressive government policies permitting 100% FDI in single-brand retail and 51% FDI in multi-brand retail.

Major Store-Based Retail Formats: Supermarket (15,000-30,000 sq ft): High-volume, self-service food and FMCG grocery stores operating on competitive pricing (Reliance Fresh, Spencer's). **Hypermarket (50,000-120,000 sq ft):** Massive combination stores merging supermarkets with department stores under Everyday Low Pricing (EDLP) for bulk monthly shoppers (DMart, LuLu Hypermarket). **Department Store (25,000-60,000 sq ft):** Multi-department fashion, beauty, and home stores emphasizing premium customer service and aspirational brands (Shoppers Stop, Lifestyle, Westside). **Specialty Store & Category Killers:** Deep merchandise depth in a single focused category (Decathlon for sports, IKEA for furniture, Croma for electronics). **Convenience Store (800-2,500 sq ft):** Compact neighborhood or fuel-station stores offering 24x7 emergency impulse items at premium prices (7-Eleven, In & Out).

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Non-Store Retailing Channels: Electronic Commerce (E-Commerce): Boundless virtual shelf space, algorithmic recommendations, and courier home delivery (Amazon, Flipkart). **Quick Commerce (Q-Commerce):** Hyper-local dark store networks (2,000-4,000 sq ft) fulfilling grocery orders via two-wheeler riders in 10 to 15 minutes (Blinkit, Zepto, Swiggy Instamart). **Direct Selling:** Face-to-face consumer selling in home environments via independent distributor networks (Amway, Tupperware, Eureka Forbes). **Automated Vending Machines:** Smart cashless kiosks in transit hubs dispensing snacks, beverages, and electronics.

The Omnichannel Retailing Paradigm: Total data and operational integration across digital and physical customer touchpoints. Enables seamless shopping journeys: **BOPIS:** Buy Online, Pick Up In-Store. **BORIS:** Buy Online, Return In-Store. **Endless Aisle:** In-store mobile ordering from central warehouses for home delivery when shelf sizes are out of stock.

Private Labels (Store Brands) Strategic Economics: Proprietary store-owned brands manufactured by contract producers (e.g., DMart Premia, Westside Nuon, Reliance Good Life). Delivers three vital strategic benefits: (1) Superior gross margins (20% to 35% higher than national brands due to zero national advertising costs); (2) Store exclusivity and customer retention (private labels can be purchased solely at that retailer); and (3) Commercial bargaining leverage during trade negotiations with national brand manufacturers.

MODULE IV

RETAIL SITE SELECTION, TRADING AREA ANALYSIS, AND GRAVITY MODELS

Strategic Imperatives of Retail Location: Location represents an enduring, irreversible capital commitment governed by multi-year commercial leases. A superior location creates an insurmountable competitive barrier, acts as the primary determinant of customer store patronage, and dictates supply chain transportation economics.

Comprehensive Typology of Retail Locations: Isolated / Freestanding Sites: Standalone highway stores with zero direct competition, absolute operational autonomy, low rent per square foot, and ample parking, but requiring immense independent brand pull (DMart suburban stores, IKEA). **Unplanned Business Districts:** Organic commercial clusters; encompasses Central Business Districts (CBD - high footfall, transit convergence, astronomical rents, parking shortage), Secondary Business Districts (SBD - suburban crossroads), and Neighborhood Strips. **Planned Shopping Centers & Malls:** Centrally owned and managed complexes balancing high-draw Anchor Tenants (department stores, multiplexes) with boutique inline specialty retailers.

Trading Area Structure: The contiguous geographic area accounting for store sales: **Primary Trading Zone:** Generates 50% to 80% of customer footfall; 5 to 10 minutes driving time (2 to 4 km radius); high visit frequency. **Secondary Trading Zone:** Generates 15% to 25% of footfall; 10 to 20 minutes driving time (5 to 8 km radius); vulnerable to competitor poaching. **Tertiary (Fringe) Zone:** Generates remaining 5% to 10% of sales; 25 to 45 minutes driving time; destination shoppers drawn by unique merchandise exclusivity or multiplex entertainment.

William J. Reilly's Law of Retail Gravitation (1931): Two competing retail centers attract trade from an intermediate town in direct proportion to their populations, and in inverse proportion to the square of physical distances: (B_A / B_B) = (P_A / P_B) * (D_B / D_A)^2.

P. D. Converse's Breaking Point Formula (1949): Determines the 50-50 trade boundary distance D_A from City A: D_A = D_AB / [1 + SquareRoot(P_B / P_A)]. In our worked numerical scenario, where City A population is 16,00,000, City B population is 4,00,000, and highway distance is 75 km, the breaking point boundary lies exactly 50 km from City A.

David L. Huff's Retail Probability Gravity Model (1963): Models patronage probability P_ij in multi-store metropolitan markets based on retail selling space S_j and travel time T_ij: P_ij = [S_j / (T_ij)^lambda] / Sum[S_k / (T_ik)^lambda]. In our worked numerical scenario with lambda = 2.0, Mall 1 (80,000 sq m at 20 min) and Mall 2 (20,000 sq m at 10 min) each capture exactly 50% market patronage probability.

Index of Retail Saturation (IRS) and Market Typologies: Measures retail attractiveness: IRS = (H * E) / S, where H is Households, E is Annual per-household expenditure, and S is Total competing retail square footage. Categorizes markets into: **Understored:** Too few stores; high sales per sq ft; prime expansion target. **Overstored:** Excess retail floor space; destructive price wars. **Saturated:** Supply and demand in commercial balance.

Shopping Mall Engineering and Tenant Placement: Dumbbell Architecture: Placing major anchor department stores at opposite ends of linear mall concourses, forcing shoppers to traverse the storefronts of inline specialty boutiques. **Vertical Circulation:** Placing high-draw magnet entertainment (multiplexes, food courts, gaming zones) on the top floor to pull ground-floor pedestrian traffic upwards through intermediate escalator levels.

Commercial Lease Structures: Fixed Flat-Rent: Predictable monthly fee; no downside relief in recessions. **Percentage-of-Sales Lease:** Rent equals agreed percentage of monthly gross sales; aligns landlord-tenant risk. **Hybrid Minimum Base plus Percentage Lease:** Guaranteed base rent plus percentage above a revenue breakpoint threshold. **Triple Net (NNN) Lease:** Tenant pays base rent plus real estate taxes, building insurance, and Common Area Maintenance (CAM) charges.

MODULE V

MERCHANDISE MANAGEMENT, STORE LAYOUT, AND RETAIL OPERATIONS

Merchandise Management and Category Roles: The analytical process of offering the right quantity of the right merchandise in the right place at the right time. Product categories are managed as strategic business units (SBUs) across four distinct roles: **Destination Category:** Primary store footfall generator; superior assortment depth and competitive pricing (staples, fresh produce). **Routine Category:** Core weekly household replenishment items (dairy, cleaning supplies, personal toiletries). **Seasonal Category:** Holiday or climate-specific demand spikes (festive gifting, monsoon wear). **Convenience Category:** High-margin impulse items placed near checkouts (confections, batteries).

Assortment Planning (Breadth versus Depth): Merchandise Breadth (Variety): Number of distinct product lines offered. **Merchandise Depth (Assortment):** Number of SKUs offered within each product line. Hypermarkets are Broad and Deep; Specialty stores are Narrow and Deep; Convenience stores are Narrow and Shallow.

The Open-to-Buy (OTB) Budgetary System: Financial inventory control mechanism preventing over-buying and under-buying. **Step 1: Planned Purchases:** Planned Purchases = Planned Sales + Planned Reductions + Planned EOM Closing Inventory - Planned BOM Opening Inventory. **Step 2: Remaining OTB:** OTB = Planned Purchases - (Merchandise Received + Merchandise On Order). In our worked numerical scenario (Planned Sales Rs 14L, Reductions Rs 1.5L, EOM Rs 28L, BOM Rs 26L, Received Rs 4.5L, On Order Rs 6L), Planned Purchases equal Rs 17,50,000, and remaining Open-to-Buy equals exactly Rs 7,00,000.

Gross Margin Return on Investment (GMROI): Premier retail inventory productivity metric: GMROI = Gross Margin Rupees / Average Inventory at Cost = (Gross Margin / Net Sales) * (Net Sales / Average Inventory at Cost) = Gross Margin % * Sales-to-Stock Ratio. Benchmarks how many gross margin rupees are earned per rupee of working capital invested in average inventory.

Store Layout and Customer Traffic Patterns: Grid (Straight / Supermarket) Layout: Long parallel gondola shelving aisles; maximum space efficiency; low fixture cost; standard for routine grocery restocking (DMart, Reliance Fresh). **Racetrack (Loop) Layout:** Major circular perimeter aisle looping past all specialized departments; maximizes multi-department exposure and browsing dwell time (Shoppers Stop, Lifestyle). **Free-Flow (Boutique) Layout:** Asymmetrical, curved arrangements; luxurious, intimate aesthetic; encourages tactile exploration in specialty fashion boutiques.

Visual Merchandising, Ambience, and Sensory Engineering: Planograms: Precise visual schematics detailing SKU shelf placement; products placed at eye-level ("golden zone", 4 to 5 feet) achieve peak sales velocity. **End-Caps:** High-impact promotional display units at gondola aisle ends commanding vendor slotting allowances. **Lighting Hierarchy:** Ambient diffused lighting, focused high-contrast Accent spotlights over mannequins, and Task lighting at checkout counters. **Acoustics:** Slow-tempo music slows shopper walking speed, expanding browsing dwell time and transaction basket value.

Retail Signage Hierarchy: Structured across four tiers: **1. Promotional Signage:** High-visibility seasonal discount banners. **2. Directional (Wayfinding) Signage:** Overhead concourse signs guiding shoppers to departments, restrooms, and exits. **3. Category Signage:** Aisle headers identifying product categories. **4. Point-of-Sale (POS) Signage:** Detailed shelf-edge price tags, barcode labels, and promotional wobblers.

Retail Shrinkage and Loss Prevention Operations: Shrinkage represents the accounting deficit between recorded book inventory and actual physical inventory: Shrinkage % = [(Book Inventory Value - Physical Count Value) / Total Net Sales] * 100. **Primary Loss Sources:** Customer shoplifting (35-40%); employee internal theft (30-35%); administrative paperwork errors (15-20%); and vendor short-shipping fraud (5-10%). **Loss Prevention Systems:** Electronic Article Surveillance (EAS) radio-frequency tags, artificial intelligence CCTV behavioral analytics, and automated self-checkout weight sensors.

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