DNYANSAGAR INSTITUTE OF MANAGEMENT AND RESEARCH
MBA-II/ SEM-IV
COMPREHENSIVE CONCURRENT EVALUATION 2024-25

Subject: RETAIL MARKETING - 412 **Specialization: MARKETING**
Faculty: Dr. Manisha Jagtap

Important Instructions:

1. The subject is evaluated on the basis of five components

	Components	Marks	Date of Submission
1.	Written Home Assignments	50	17th March 2025
2.	Case study	50	17th March 2025

2. The submission has to be in the format prescribed for each component.
3. **Answers should be in own words, copied answers will be not be marked.**
4. Student Name, SEM, Contact number & Specialization must be clearly mentioned on the submission sheets.

REFER BOOKS:

1. Retailing Management by Swapna Pradhan, TMGH Publication
2. Retail Marketing Management by David Gilbert, Pearson Publication
3. Retail Business Management by R. Perumalsamy, Anmol Publications
4. Retailing Management by Arif Sheikh, Himalaya Publication
5. Retail Management by Gibson, Pearson Publication

DNYANSAGAR INSTITUTE OF MANAGEMENT AND RESEARCH

	Component	Marks	Date of Submission
1.	Written Home Assignments	50	17th March 2025

CCE 1. WRITTEN HOME ASSIGNMENTS

READ THE INSTRUCTIONS CAREFULLY

- Assignments are to be written in Assignment sheets
- Answers should be in own words, **copied answers will be not be marked.**
- Student Name, Semester, Contact number & **Major & Minor Specialization** must be clearly mentioned on the submission sheets.
- **Do not write answers in 2 -3 lines**, each answer has to elaborated with suitable examples.

Q1. A retail store is experiencing declining foot traffic and sales. Design a practical marketing plan to attract new customers and revitalize the business.

Q2. Develop a customer loyalty program for a retail business. Outline the key components of the program and explain how it will benefit both the customers and the business.

Q3. You have been tasked with launching a new product line in a retail store. Design a comprehensive marketing campaign that includes product positioning, pricing strategy, promotional activities, and target audience identification.

Q4. A retail business is planning to expand its online presence. Develop a digital marketing strategy that includes social media marketing, search engine optimization, and online advertising to drive traffic and increase online sales.

Q5. Analyze the customer data of a retail store and identify key trends and patterns. Based on your analysis, propose personalized marketing strategies to target specific customer segments and enhance their shopping experience.

Q6. A retail store wants to improve its store layout and visual merchandising to increase sales. Provide recommendations on store layout, product placement, and visual merchandising techniques that will optimize customer flow and drive impulse purchases.

Q7. Develop a customer feedback and review management system for a retail business. Outline the process for collecting and analyzing customer feedback, addressing customer complaints, and leveraging positive reviews to improve the store's reputation.

Q8. A retail business is planning to launch an Omni channel marketing strategy. Outline the key components of an effective Omni channel approach and propose how the business can seamlessly integrate its online and offline channels for a cohesive customer experience.

Q9. Conduct a competitor analysis for a retail business operating in a crowded market. Identify the strengths and weaknesses of key competitors and propose strategies to differentiate the business and gain a competitive advantage.

Q10. A retail business wants to implement a sustainability initiative to appeal to environmentally conscious customers. Develop a sustainability plan that includes eco-friendly product sourcing, waste reduction measures, and promotional activities to communicate the store's commitment to sustainability to customers.

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	Component	Marks	Date of Submission
2.	Case study	50	17th March 2025

Instructions for Students:

1. **Case study are to be solved in Assignment sheets**

2. **Read the case study carefully**: Begin by thoroughly reading and understanding the details of the retail marketing case study. Pay attention to the background information, challenges faced by the business, and any provided data or statistics.

3. **Identify the key issues**: Analyze the case study to identify the main problems or opportunities that the retail business is facing. Consider factors such as declining sales, competition, changing consumer behavior, or market trends.

4. **Conduct additional research**: If necessary, conduct further research to gather relevant information about the industry, market trends, consumer preferences, or competitors. This will help you develop informed recommendations and strategies.

5. **Apply theoretical concepts**: Utilize your knowledge of retail marketing principles and concepts to analyze the case study. Consider aspects such as market segmentation, marketing mix, branding, customer relationship management, pricing strategies, promotions, and digital marketing.

6. **Develop a structured approach**: Organize your thoughts and ideas in a clear and logical manner. Create an outline or framework to structure your analysis and recommendations. This will ensure that your response is well-organized and easy to follow.

7. **Provide evidence-based solutions**: Support your recommendations and strategies with evidence from the case study and any additional research. Use relevant data, examples, and industry best practices to strengthen your arguments.

8. **Be creative and innovative**: Think outside the box and propose creative solutions to the challenges faced by the retail business. Consider emerging trends, technological advancements, and customer expectations to develop innovative marketing strategies.

9. **Consider feasibility and resources**: Keep in mind the practicality and feasibility of your recommendations. Consider the resources, budget, and capabilities of the retail business when proposing strategies. Ensure that your solutions are realistic and actionable.

10. **Justify your decisions:** Clearly explain the rationale behind your recommendations. Articulate why you believe your strategies will address the key issues and bring positive results. Support your reasoning with logical arguments and evidence.

11. **Communicate effectively:** Write your responses in a clear, concise, and organized manner. Use proper grammar, punctuation, and formatting. Clearly label and structure your sections (e.g., introduction, analysis, recommendations) to enhance readability. Proofread your work before submission to ensure clarity and coherence.

CASESTUDY 1 PRATEEK APPARELS-F-SQUARE: AN INTRODUCTION

F -Square is value retail outlet from Bangalore based Prateek Apparels. It is a new lifestyle experience for men. From clothing to accessories, it is the first of its kind store in India which is positioned as the ultimate fashion destination for men. It has emerged as the country's largest fashion value chain that targets youth and offers fashionable clothing ranging from ` 100 to ` 799. This makes the price affordable to all the sectors of the society. F-Square sells the company's private labels without any big brands in its product portfolio. It is famously called as local neighborhood family store. Unlike big box retail formats which goes up to 70000 sq ft F-Square is a smaller format ranging 800-1000 sq ft. F-Square is present only in Karnataka and has made its presence feel among the masses with its constant discounts and special offers. It's interesting to note that one of the top Kannada cinema actors Puneet Kumar is the brand ambassador for the F-Square brands. F-Square is the concept from Prateek Apparels which is one of India's largest design companies with over 15 years of vast experience in delivering quality solutions for domestic branded retail industry. Prateek Apparels is a popular name in the retail fashion industry as it is one of the earliest organized players to offer integrated design, sourcing and manufacturing services to domestic branded apparel industry. Prateek Apparels with its 5 state of art manufacturing facilities employees over 3000 employees. The manufacturing facility has an incredible capacity to produce over 6 million pieces per annum. Prateek Apparels known for its exceptional quality and high manufacturing capacity is the preferred vendor partner for most of the top national and international brands in the country in addition to large format national chain retailers, discount stores and hypermarkets. Prateek Apparels Pvt. Ltd. Retail Division established in 2007 exclusively concentrates on the value retail segment of the Indian market. Prateek Apparels has an admirable name in the retail segment and currently operates 7 Coupon stores at the following locations Bangalore, Chhattisgarh, Hyderabad, Calicut, and Faridabad and will be adding 2 more during this fiscal. A full-fledged apparel manufacturing unit, begun in 1995, Prateek Apparels now boasts of clientele of leading brands including Westside, John Players, Levi's, Dockers, Lee, Wrangler, Van Heusen, Cottons by Century among others. From concept to design Prateek Apparels provides value-adds at every stage. Taking on a comprehensive approach, the company's services include brand research, fashion forecast, brand communication, design and product development, merchandising client interface, sourcing, production, planning and control, manufacturing and quality assurance. Coupon stores were started with an exclusive idea of providing a wholesome shopping experience to the entire family. Coupon stores are the large format stores (10000-45000 sq ft) capable of housing over 200 national and international brands offering a discount of 10-60% throughout the year. Coupon is hugely popular for its wide assortment and variety of brands, departments, categories, and products altogether providing a complete family shopping experience. With a view to further strengthen and to expand the horizons in the value retail market, Prateek Apparels has launched the concept of small format value fashion stores in 2009 under the name F-SQUARE. While Coupon features well-known brands, F Square will only sell the company's private labels and will be positioned as a local neighborhood family store. F-Square Brands There are 4 brands which are available in the F-square outlets. The names of brands are coined in such a way that it attracts especially the youths. The brands are:

1. Locomotive: My style Locomotive fashion for the young gun includes fashion polo's, round neck fashion T's, stylized shirts, denims and jackets. 2. Highlander: Easy confidence Highlander includes stylish business casuals: chinos, polo's, washed shirts and trousers. These are the best chill pills for today's man. 3. Mark Taylor: Buttoned up Mark Taylor is a range of formals for the man who needs to make the right impression. 4. Black Coffee: Big business with style Premium formal trousers and shirts for man in command. F-Square Operations F-square operates under the value retail format. Value retail is the recent buzzword with many established and new players adopting the model. Value retail format is a type of retail format where customers can buy products at lower prices with better quality. The main aim of F-square is to come out with combo price offers to create complete wardrobe solutions and offer unbeatable value and create the concept of pocket money shopping. The F-square customer is a Mass Indian male, 18 to 30 years seeking fashion at value. The customer seeks attractive price point and F-square merchandise is affordably priced in the range of ` 99–` 699 with almost 80% of the merchandise under ` 499. F-square has its own outlets and also follows franchisee model. It is present only in Karnataka and has not penetrated into other markets still. There is terrific competition in this segment and the stores competing with F-square are Megamart from Aravind retail, Brand factory from Pantaloons retail India Ltd, Big bazaar, Star bazaar and Trent from the Tata group and other regional players. Many customers have started preferring value retails compared to other retail formats which is the reason why the competition is increasing day by day. The company takes lots of measures to increase the visibility of the stores. The choice of location for F-square is linked to the core objectives of brand building by reach and market potential. Hence the stores are generally located in prime localities like near bustling street markets and shopping streets, value for money environments, hypermarkets, high streets and swank malls where there are large footfalls. Currently there are more than 100 stores in Karnataka in all prime locations. Visual merchandising plays a very important role in retailing and this is carried out by F-square in a very well planned manner. The store also comes out with lots of special offers and discounts regularly to attract more customers. Regional and National newspapers serves as an important media vehicle to communicate the offers to the customers along with local celebrity endorsement. The store also comes out with sudden offers with attaching a time

period to it. For example it comes out with 50% off for 48 hours, Buy 1 and get 2 free in 24 hours etc. The store gets its inventories directly from its parent company- Prateek group. The store also provides training to the employees joining them to better serve the customers. The company is in the rapid expansion mode with a plan to open 100 F-square stores in this fiscal. It’s planning to double its turnover to touch ` 700 crore with 240 F-square stores by the end of year 2014.

Question: Analyse the case

Describe the business model of F-Square.

CASESTUDY 2 Factor’s Behind Zara’s Retail Profitability

Zara is the flagship brand of the Spanish retail group, Inditex SA, one of the superheated performers in a soft retail market in recent years. When Inditex offered a 23 per cent stake to the public in 2001, the issue was over-subscribed 26 times raising Euro2.1 billion for the company. What makes Inditex so tasty? Well, for a start, it seemed to show higher profit margins than comparable retailers, and secondly, the trend seemed sustainable. Good bet for most investors.

The Awkward Factor in the Profitability Formula

Buy low, sell high. Buy on credit, sell on cash. Retail profitability often seems like a no-brainer.

If you sell at X dollars and buy at Y dollars, as long as your operating and financial costs Notes are lower than the gross margin i.e. the difference between X (selling price) and Y (cost), you should be making money. And what with retailers running around with gross margins of 50-60 per cent (that is more than half of their retail price), making money should be no problem, right?

Wrong. In highly perishable goods such as fashion products that are susceptible to seasons, gross margin is meaningless if the product does not sell as planned. In simple terms, you make more money if you sell more, even at a lower margin 30 per cent on sales of ` 100 is better than 60 per cent on ` 10. Given the unpredictability in fashion, it is quite likely that you will end up selling a large proportion of your products at a discount. For many retailers, 35-40 per cent of the total merchandise being sold at hefty discounts is quite the norm.

Imagine fashion clothing to be like vegetables, or bread. On the first day it looks very appetizing and has lots of buyers. By the second and third day it starts to look stale, but customers may still pick it up, maybe at lower prices. By the time a week is over, the retailer is probably better off giving the bread away just to clear up space.

Working with him in the last few years, Inditex Chief Executive José María Castellano is quoted as saying, “This business is all about reducing response time. In fashion, stock is like food. It goes bad quick.”

Zara, which contributes around 80 per cent of group sales, concentrates on three winning formulae to bake its fresh fashions:

Short Lead Time = More fashionable clothes

Lower quantities = Scarce supply

More styles = More choice, and more chances of hitting it right

Short Lead Times: Keeping Up With Fashion

By focusing on shorter response times, the company ensures that its stores are able to carry clothes that the consumers want at that time. Zara can move from identifying a trend to having clothes in its stores within 30 days. That means that Zara can quickly identify and catch a winning fashion trend, while its competitors are struggling to catch up. Catching fashion while it is hot is a clear recipe for better margins with more sales happening at full prices and fewer discounts. In comparison, most retailers of comparable size or even smaller, work on timelines that stretch into 4-12 months. Thus, most retailers try to forecast what and how much its customers might buy many months in the future, while Zara moves in step with its customers. A very large design team based in Coruña in North West Spain is busy throughout the year, identifying the prevalent fashion trends, and designing styles to match the trends. Trend identification comes through constant research not just traditional consumer market research, but a daily stream of emails and phone calls from the stores to head office. Unlike other retailers, Zara’s machinery can react to the report immediately and produce a response in terms of a new style or a modification within 2-4 weeks. Many other retailers have such long supply chain lead times that for them it would seem a lost cause for them to even try and respond to a sales report.

Reducing Risks

By reducing the quantity manufactured in each style, Zara not only reduces its exposure to any single product but also creates an artificial scarcity. As with all things fashionable, the less its availability, the more desirable the object becomes. When Zara opened its first store on London’s Regent Street, shoppers are said to have browsed without shopping, thinking that they would come back to buy during a sale. Then the store assistants explained that the styles were changed every week, and the style liked by the customer would very likely not be available later. Subsequently, Regent Street became one of Zara’s most profitable stores and more stores opened in the UK. The added benefit of lower quantities is that if a style does not work well, there is not much to be disposed when the season-end sale does happen. The result is that Zara discounts only about 18 per cent of its products, roughly half the levels of competitors.

Leadership in Numbers

Thirdly, instead of more quantities per style, Zara produces more styles, roughly 12,000 a year. Thus, even if a style sells out very quickly, there are new styles already waiting to take up the space. Zara can offer more choices in more current fashions than many of its competitors. It delivers merchandise to its stores twice a week, and since re-orders are rare the stores look fresh every 3-4 days. Fresh produce, moving in step with the fashion trend and updated frequently the ingredients are just right to create the sweet smell of success. But how does Zara achieve its three key success factors, which would be a nightmare for most other retailers: of producing small quantities of numerous styles in short time spans? Let us look at the mechanisms that enable Zara to deliver on these parameters as well as some unique aspects of the retailer's business model. If you thought that it is not possible to produce all this success in the same kind of set-up as other retailers, and that it also has to cost something, you would be absolutely correct on both counts. Zara follows a structure that is more closely controlled than most other retailers, and pays further by having the various business elements in close proximity to each other, around its headquarters in Spain.

Ownership and Control of Production

For one, most other retailers (like the American chain Gap and the Swedish retailer Hennes & Mauritz) completely outsource their production to factories around the world, many of them in low cost Asian countries. In contrast, it is estimated that 80 per cent of Zara's production is carried out in Europe, much of it within a small radius of its headquarters in Spain. In fact, almost half of its production is in owned or closely-controlled facilities. While this gives Zara a tremendous amount of flexibility and control, it does have to contend with higher people costs, averaging 17-20 times the costs in Asia. Counter-intuitively Inditex has also gone the route of owning capital-intensive manufacturing facilities in Spain. In fact, it is a vertically integrated group, with up-todate equipment for fabric dyeing and processing, cutting and garment finishing. Greige (undyed fabric) is more of a commodity and is sourced from Spain, the Far East, India, and Morocco. By retaining control over the dyeing and processing areas, Inditex has fabricprocessing capacity available "on demand" to provide the correct fabrics for new styles. It also does not own the labour-intensive process of garment stitching, but controls it through a network of subcontracted workshops in Spain and Portugal.

Supercharged Product Development

Design and product development is a highly people-intensive process, too. The heavy creative workload of 1,000 new styles every month is managed by a design and development team of over 200 people, all based in Spain, each person in effect producing around 60 styles in a year (or 1-2 styles a week). With new styles being developed and introduced frequently, each style would provide Notes only around 200,000-300,000 of retail sales, a far lower figure than other retailers or brands, and certainly not "cost-efficient" in terms of design and product development costs. But obviously, this higher cost of product development is more than adequately compensated by higher realized margins. In addition, the entire product development cycle begins from the market research. This combines information from visiting university campuses, discos and other venues to observe what young fashion leaders are wearing, from daily feedback from the stores, and from the sales reports. This has meant a significant investment in information technology and communications infrastructure to keep streaming up-to date trend information to the people making the product and business decisions. At the leading edge of research are the sales associates and store managers in Zara stores, who zap orders on customized handheld computers over the Internet to Zara headquarters based on what they see selling. And not just orders, but ideas for cuts, fabrics or even a whole new line. They draw upon customer comments, or even a new style that a customer might be wearing that could be copied for Zara's stores. Traditional daily sales reports can hardly provide such a dynamically updated picture of the market.

React Rather Than Predict

What sets Zara apart from many of its competitors is what it has done to its business information and business process. Rather than concentrating on forecasting accurately, it has developed its business around reacting swiftly.

Here's a flavour of what a typical retailer or brand might do.

Say, around a certain time, designers may start looking at fashion trends, and start designing a look for winter 2004. Information and inspiration comes from forecasting agencies, trade shows, and various other places. Over a period of 3-5 months they develop the ideas into physical samples. These are also simultaneously costed. Sales budgets and stock plans are developed based on what is going on in the business right then (roughly one-year ahead of the targeted style). At various times during this "seasonal" process, there are decision-making meetings, where styles are accepted, rejected or changed, pricing and margin decisions taken and orders finalized. Since multiple decisions factors are involved there are several meetings where a buyer / merchandiser, a designer, a technologist, a sourcing specialist and others may get involved together. No doubt, many calendars and travel schedules have to be synchronized for this to happen smoothly. Based on a host of factors, the orders might then be placed with vendors in one or more countries around the world. Typically vendors may take a few weeks to two months to procure fabrics, have them approved by the retailer, and then produce a number of samples, and only once all approvals are finished, put the style into production. From beginning to end, the process of defining a concept to receiving goods in the retail store might take anywhere from 9 to 12 months for a typical retailer. This one-year advance decision-making on what merchandise and how much to stock, is a bit like driving a car at speed by just looking in the rear view mirror! Amazingly, it seems to work 60-65 per cent of the time. Zara, on the other hand, largely concentrates its forecasting effort on the kind and amount of fabric it will buy. It is a smart hedge for one, fabric (raw material) mistakes are cheaper than finished goods errors, and secondly, the same fabric could be turned into many different garments. In fact, for an extra degree of flexibility Zara buys semi-processed or un-coloured fabric that it colours up close to the selling season based on the immediate need. With that edge, and a super-fast garment design and production process, it takes to the market what its customers are looking for.

Quick-Bake Recipe: Well-Mixed Ingredients

Garment styling for Zara actually starts from the email or phone call received from the stores. Thus, from the beginning Zara is responding to an actual need, rather than forecasting for a distant future. Based on the store demand, Zara's commercial managers and designers sit down and conceptualize what the garment look will like, what fabric it will be made out of, what it will cost and at what price it will sell. The designer then actually sketches the garment out, details the specifications and prepares the technical brief. Since fabrics and trims are already in Zara's warehouse, sampling takes very little time. Approvals are equally quick, since the entire team is located in the same place. As soon as approvals are received, instructions are issued to cut the appropriate fabric. The cutting is done in Zara's own high-tech automated cutting facilities. The cut pieces are distributed for assembly to a network of small workshops mostly in Galicia and in northern Portugal these 350 workshops between them employ some 11,000 apparently grey economy workers. None of these workshops are owned by Zara. The workshops are provided with a set of easy to follow instructions, which enable them to quickly sew up the pieces and provide a constant stream to Zara's garment finishing and packing facilities. Thus, what takes months for other companies, takes no more than a few days for Zara. Finally, Zara's high-tech distribution system ensures that no style sits around very long at head office. The garments are quickly cleared through the distribution centre, and shipped to the stores, arriving within 48 hours. Each store receives deliveries twice a week, so after being produced the merchandise does not spend more than a week at most in transit.

Keeping Costs Down

Even while manufacturing in Europe, Zara manages to keep its costs down. None of its assembly workshops are owned by the company. Most of the informal economy workers the workshops employ are mothers, grandmothers and teenage girls looking to add to their household incomes in the small towns and villages where they live. Last year the average monthly salary of a Spanish industrial worker was about 250,000 pesetas - $1,300 a month, excluding the state's 30.8 per cent charge for social contributions. In contrast, according to reports, the workshops working for Inditex may or may not pay the social charges. According to one estimate, the seamstresses probably get something less than half the average industrial wage, maybe $ 500 a month. These are around 5-6 times typical Indian or Chinese wages, and yet offer the flexibility beyond what Asian factories can, which has a tremendous impact on ratio of full-price merchandise sales. Further, in terms of marketing costs, Zara relies more on having prime retail locations than on advertising for attracting customers into its stores. It spends a meager 0.3 per cent of sales on advertising compared to an average of 3.5 per cent of competitors according to the company, choosing highly visible locations for its stores renders advertising unnecessary.

Question: Analyse the case and discus how Zara manages to keep its costs down

CASESTUDY 3 AMAZON.COM ADAPTS ITS 21 RETAIL BUSINESS IN INDIA

Founded by Jeff Bezos, Amazon is the world's largest e-commerce company which began its operations in US as an online book retailer that soon began to sell a large category of products. Amazon.com entered the Indian e-commerce market with Amit Agarwal at its helm in 2013 as an online marketplace offering two product categories, namely books, and movies and TV shows. As the Indian law did not permit 100% foreign direct investment (FDI) in retail business, the company decided to provide an online platform for buyers and sellers to come together instead of selling products directly to the consumers. This business model was different from the one being employed in US where the company sold its own goods along with those of the third-party sellers. Under this model of third-party online platform, Amazon handles customer queries, takes orders, ships goods, handles returns, and undertakes advertising and promotion activities. Within three years, Amazon launched its "Global Store" in India and provided access to over 4 million global products, including several international brands that till hitherto were unavailable in India. Prior to its launch, consumers bought products online from Amazon's US portal and were required to pay in dollars. But, now they had the option to make online purchases of both global and local brands and pay in their local currency. The company provided the option of returning unused products within 30 days of delivery for full or partial refund depending upon the cause for such returns.

Indian Market

India is the world's fastest growing economy. Its huge population of 1.25 billion led by technology-driven youth offers tremendous business opportunities to the e-retailers. Around 260 million English speaking middle class, 340 million smart phone users, and a rapid increase in mobile wallet users offer huge potential to the e-commerce companies. Increased penetration of the internet will continue to provide further impetus to rapid growth in e-commerce market. The revenue from e-commerce is estimated to grow four folds from $ 30 billion in 2016 to $ 120 billion in 2020, accounting for a whopping growth rate of 51% per annum. This exponential growth rate is expected to surpass any other predicted growth rate across the globe. So, it is no surprise that Amazon was attracted to India to pursue its dream of international expansion. Amazon possessed the experience of operating as an online marketplace in nine other countries. To gain insight into the psyche and behaviour of Indian consumers, Amazon had launched a price comparing website, Junglee.com a year prior to its entry in the growing Indian market. The experiences of already operating market players provided additional vital information needed to make headway in this challenging Asian sub-continent. The home-grown companies, Flipart, Myntra, and Snapdeal were gradually succeeding in persuading the skeptical Indian consumer to buy online by offering very low prices, return policy, and payment of cash upon delivery. Amazon also understood that Indians prefer to pay in cash and not through cheques or credit card. It adopted the policies being pursued by indigenous online retailers.

Distribution Model

There are more than 14 million traditional retail stores in India with majority measuring less than 600 square feet. These convenience stores play an important role in making products available in cities, towns and over 6 lakh villages, where 67% of the population resides. Yet, both big and small retailers perceived e-commerce to be very complicated and had been apprehensive about online orders on various accounts. Some of these concerns included problem of handling rejected products, incorrect or arcane addresses given by the customers, inadequate infrastructure, including poor delivery logistics, buyers' habit of doing transactions in cash, and so on. Amazon's entry was perceived as a great threat to the survival of these traditional retail stores. To allay their fears, Amazon introduced Amazon Chai Cart which involved mobile tea carts that moved through several cities offering tea along with advice on the advantages of e-commerce to small business owners. Subsequently, Amazon Tatkal, "studio on wheels" was launched to provide a range of services, including cataloguing, registration, and sales training. This resulted in large number of businesses getting associated with Amazon as they felt that this partnership would provide access to bigger markets. Entry of Amazon provided great business opportunities to retailers in India who had been previously very uneasy about its entry. It engaged more than 13,000 stores across 65 cities as delivery partners in its logistic network. It also involved the mom-and-pop stores in small towns and villages in its delivery platform where internet connectivity was limited. Villagers are able to access the online products at Amazon through the store owner's internet and place their orders through him. The store owner alerts consumers upon arrival of products, delivers them, collects money, and passes it to the company. He gets paid a certain amount of handling fee in return for his services. This system is reported to have helped the stores increase their personal sales as well. Linguistic diversity in the country has prompted Amazon India to introduce staff support system to its sellers in local languages such as Tamil, Kannada, and Telugu in addition to English and Hindi. The number of sellers on its platform rose to a phenomenal figure of 140,000 in 2016, an increase of nearly 160%. Almost thousands of products were reported to be getting added daily on its market place. To help the sellers on its platform meet their short-term financial requirements to cope with increased seasonal demands, Amazon partnered with a digital lending company called Capital Float. This initiative has helped its e-sellers who deal in fashion items, consumer durables, and electronic products procure a loan of Rs 2 lacs and above without pledging any collateral. This facility assists them in making payment to their suppliers within 24 hours. Within a span of four years Amazon has become equipped to sell over 100 million products ranging from movies, books, grocery, fashion, electronics to lifestyle categories. Its sales orders are not confined to any specific group of customers or geographical limits of metropolitan or big cities. It claims that 50% of its demand is from Tier II and Tier III cities of India. Pursuing its global strategy, the company strives to supply everything to everyone at every location within the country, and make it its second largest market after US. It has left its closest Indian rivals, Flipkart and Snapdeal, far behind with respect to business investment, numbers of products offered as well the geographical coverage of its market. Flipkart, run by former employees of Amazon, has been forced by the latter to seek foreign investments while Snapdeal is grappling with its survival.

Strengthening Delivery Logistics

To improve its delivery logistics, Amazon "Global Stores" engaged the services of India Post, a government-operated postal system, and logistics companies such as Blue Dart, Aramex India, and DHL Express to deliver products to its customers. It also utilized the services of bicycle and motorcycle couriers to reach its rural and sometimes even its urban customers. Around 27 fulfilment centres were set up across ten different states in the country in direct contrast to a centralized fulfilment centre in US. Order tracking, which plays a crucial role in winning over the trust of customers, is taken care of by these fulfilment centres. Sellers drop their products to these fulfilment centres at a fee before any order is placed. Amazon provides studio facility to the suppliers for taking photographs of their wares for online posting. These goods are checked for quality, stored, packed, and shipped to the customers from these centres when the orders are received. Generally, Amazon holds back a part of the sales for about seven days as a buffer against possible returns. The accounts with sellers are settled on monthly or weekly basis depending upon their terms of agreement with the company. Decisions with respect to returned goods lie solely with the company. More than 100 delivery stations and about 15 sorting centres have been also opened up by the company. To access its customers spread across a large geographical area, Amazon Transport Services was started as the logistics company in 2015 to accelerate the pace of delivery and provide direct delivery from the sellers to the consumers. This was expected to make the company more competitive in the Indian market which lacked the logistics facility to deliver within 24 hours of ordering, a norm followed in the US. Its closest rival, Flipkart, was forced to follow suit by promising same-day delivery facility but its charges were higher in comparison to that of Amazon. To speed up the delivery process, Amazon launched additional shipping platforms called EasyShip and Seller Flex, which helped the small vendors choose their courier partners at their own convenience. Under Easyship, Amazon couriers picked up packaged goods from seller's store for delivery to the consumer. The sellers had the option to store products for sale on Amazon portal in their own warehouse under the Seller Flex approach, and Amazon takes care of delivery from their warehouses to consumers. However, in case of stock-outs, Amazon imposes penalty on the sellers.

Sellers' Displeasure with Amazon

Some reports have emerged with respect to sellers' displeasure with Amazon concerning its policy on return products, payments to them, and closure of their accounts. Sellers feel that the company maintains very tight control over the commitments it expects from them—starting from the number of products they are expected to hold, time of delivery, time of receiving payment, and also the amount of withholding of their cash. When any issue of dispute arises between consumers and sellers, Amazon is strongly biased towards the former. In case of product return through its courier service, the company is likely to deduct anything between 50–100% of the total amount. It imposes a fine on the sellers when a dispute arises between consumers and them on the products delivered through external courier services without seeking their opinions. Sellers have to struggle to get their money refunded. Blocking of their accounts is another problem that some of them are facing. It may take several days before the account becomes functional. This poses cash problems for the sellers. Interestingly, Amazon had already faced similar accusations of high-handedness in the form of lawsuits in US. The company, on its part, has denied accusations levied by some of the Indian sellers, and expressed that returns have been classified into four different classes under its transparent policy: damage of product by Amazon, consumer's decision not to buy, wrong product, and mismatch between actual product and its description on site. In case of damage caused by Amazon, the company takes the responsibility to fully compensate the seller. But, in case the sellers commit mistakes repeatedly and underperforms, then the company is compelled to take action against them and block their accounts. It gives seven days' time to its sellers to resolve issues when complaints arise in their use of external logistics. Contrary to the statements made by sellers, the company claims that it charges penalties only after seeking their permission. Amazon asserts that it has always helped the sellers increase their monthly sales. It is quite likely that some of them may find it difficult to match up to the expectations of the company, which is known to please its customers by providing a huge range of product choice at very low price and fast delivery.

Way Ahead

In its bid to overtake Flipkart, the company had invested heavily in infrastructure, technology, and innovation which caused its losses to rise up from Rs. 1,723 crores in 2014-15 to Rs. 3,572 crores during 2015–16. It has launched Prime Video services towards the end of 2016 at an extremely low price of Rs. 499 per annum, with Rs. 250 as cash back in comparison to the existing players, Netflix and Hotstar who charges around Rs 200–500 per month. Its strategy was to provide latest movies, US TV shows, and children's programs in high quality at a low rate of data usage on 4G network so that the customers get addicted to its OTT (over-the-top) services. It was estimated that the company had invested around Rs. 2000 crores in this new venture. It has also made huge investments in providing cloud infrastructure through its web services to the business customers. The company has continued to maintain its aggressive approach to become the market leader despite a slowdown in the expansion of online business in 2016 after a rapid growth surge in the previous two years. A sum of Rs. 2,010 crores was infused into the operations of Amazon Seller Services, its Indian flagship company which reported a turnover of Rs. 2,217 crores in 2015–16. Though advertisements, commissions, and shipping fees charged from sellers continue to be the main sources of its revenues, yet its losses swelled up to nearly Rs. 1,000 crores in the month of October 2016. However, that has not deterred the company. During a time span of March 2016– 2017, Amazon has invested Rs 7000 crore in its Indian business. It intends to further invest $5 billion in the years to come. A unique characteristic of an average Indian consumer is to browse through various brick-and-mortar stores, pick up products to feel and smell them, compare them across stores, and bargain mover prices before making the final purchase decision. So, Amazon is also planning to launch its physical grocery stores to cater to this consumer segment and has named it "Project Everest". Looking at its aggressive approach of investment, critics wonder when the company will be able to breakeven. A recent development in the Indian legislation poses another challenge before this multinational company. The Indian government has introduced a new regulation that prohibits any single vendor from contributing towards more than a quarter of the total sales to its marketplace platform. It was reported that Amazon's largest seller accounted for over 40% of its sales on its Indian website, leading to violation of the newly incorporated law. Listing of Amazon Exports Sales LLC owned by Amazon as a seller has been protested by All India Online Vendors' Association, a community of 1,000 online sellers. The association considered it as violation of the Indian laws and felt that this would impact the pricing policy of the company.

Analyse the case

CASESTUDY 4

E-MARKETING MODELS: RETAILERS PERSPECTIVES A CASE OF GROUPON

Context

Mr Mark, the Vice-President of Marketing is addressing his team of regional officers across the country in the context of improving the customer base for the firm through enabling the customers base for the use of Groupon coupons. The primary objective of the meeting is to: 1. Create an umbrella for more retailers to use Groupon deal processes 2. Generate revenue for the firm and create customers for the retailers as well 3. Enable the retailers to decide on the discount and quantum of sales for their product using the Groupon models 4. Expand customer base of the Groupon (retailers) and the users of the model 5. Create win-win situation for customers, retailers, and the firm. The regional heads of all the regions (south, west, north, and east) are advised to submit a marketing plan and strategic proposal to attain the above objectives.

Background

Consumer cooperatives (groups acting on behalf of the members to purchase and sell the required goods) are established to gain bargaining power by the individuals in the developing countries like India. The concept of bringing together the buyers to have the bargaining power by creating and inducing bulk demand for the products (refer the case given below) in an organized form are called cooperatives. The cooperative movement in India started in the early 20th century and the governments in India extend support to such cooperatives. The cooperatives can be started with and without the support of the governments and take the lead in the interest of the group and for the cause of the group (for example, agricultural cooperatives, cooperative banks, etc.). In a cooperative, the members will contribute to the cooperative and work in the interest of the members of the group, and in case of any surplus share, among the members on a pro-rata basis. The Apex Federation (NCCF) was established in the year 1965 and is managed under the separate Multi State Cooperative Societies Act 2002 with 136 members encompassing Primary Co-op. Stores, Wholesale Societies, State-level Consumer Cooperative Federations, National Cooperative Development Corporation, and the Government of India. Headquartered at New Delhi. The business process of the federation is handled through 34 branches from across the country. The primary objective of the federation is to deliver support to the consumer cooperatives and other distributing agencies for distribution of consumer goods at reasonable and affordable prices like Groupon, with coupons of high discount, enabling customers to buy the products at a very low price.1 The objectives of any business determine the financing, set-up, revenue model, and major resources required for the business. The operational and supportive activities will be commensurately planned and investments will be made accordingly. One of the key elements of the supportive activities, the marketing also will be organized at a scale that will effectively garner the required demand for the products/services of the organization. In all, the scale of capacity utilization or the production or service preparedness will be organized as per the business plans and expectations. An important aspect that deserves to be particularly mentioned here is that the success of the business, its profitability, and sustainability depends upon the achievement of the projections for which sufficient demand for products/services are required. Generally, because of optimistic plans or unexpected business changes, it may so happen that the demand may not take off as expected, resulting in shortfall of the sales and excessive stocks or idle servicing time. Organizations can explore the possibility of liquidating their excess stocks or idle servicing time by undertaking additional promotional activities. Large organizations and those with excess financial resources will expand their resources for additional promotional activities for increasing their business. Such excess spending may reduce the profit margin but will help avoiding the possible loss associated with the lower business activity. The promotional activities should not only endeavor to liquidate the excess stocks or idle service time but should also aim at effective promotion of the business, the product, or service, and thereby create a customer base. In fact, if a tail-end promotional activity has to be planned, organizations realize that it is a second phase activity and should be effective enough to compensate for the shortfall in the first phase of promotional activity. Therefore, such an effective promotional activity may require more funding than usual spend. Medium and small-scale organizations may not be able to afford to spend additional amounts for this essential promotional activity. At the same time, such organizations also cannot afford to incur the resultant loss because of the excess stocks and idle service time. Therefore, such organizations keep trying to explore newer options and possibilities that are fruitful yet cost effective. This may also be because they may not have the expertise and strategic strength to design, coordinate, and implement the promotional plans nor do they have the time to take off from their regular business to exclusively focus on additional promotional activities. Therefore, these organizations may not mind to share some of the revenues that they could additionally achieve because of any promotional activity that any external promotional/selling partner undertakes for these organizations.

Buying Process and Buying Centre (Annexure – III)

The function of buying a product or a service depends upon various aspects, including the need, availability, complementing options, and price. Usually, if a product or service is available at a lower price, it increases the affordability of the consumers. Further, the desire of consuming a product or service, to an extent, depends upon the price of the same. Given a price of a product or service, and particularly if it is of premium category and complementary to the other kinds of products or services, consumers usually have the inquisitiveness to experience the utility on an experimental basis. However, among others, one reason that may limit the consumers from testing such premium products or services is the higher price that they may have to shell out. If there is an opportunity of consuming such products or services at a lower price, consumers will be eager to consume the same. Correspondingly, sellers resort to various practices to attract and induct new consumers and thereby expand consumer base. Such practices include free distribution of samples for consumption, combo-packed and combo-pricing of fast moving regular items, heavy discounted offers, etc. However, some of these offers cost the organizations heavily, and may cause serious financial strain on the business. The trend of consumers experimenting premium products when are available at a discount to their tagged price is well observed across the developed and developing economies where premium consumer products are jumbo-packed and sold at lower rates which are a huge success among the consumers. Such a practice of selling at a lower price has been possible because the organizations plan and achieve a higher scale of operations, including the additional sales made at discounts. Effectively, it is about achieving a higher scale business involved with encouraging more purchases either individual or a group of consumers. It may not be possible for a consumer to continue purchasing greater quantities of any product or service than they usually require. Resultantly, the seller also may not experience the increased volume of business continuously in this model. However, if the increased sales are because of group buying, then the seller may be able to experience the increased volume of business and the consumers will be able to get the products and services at relatively lower rates. Thus, the essence is in group buying.

Modus Operandi and Metrics of Groupon

The Groupon owner combined the first and third strategies mentioned by Jack Welch, namely scaling up of production and sales and e-commerce (e-sell, e-buy and e-make). In simple words, the business model of Groupon involves online posting of unsold stocks or idle service time of various businesses registered with Groupon. These products and services are offered locally with a huge discount, usually ranging between 50% to 90% discount. Since the organizations would have written off the possibility of earning anything on such unsold or excess stocks and idle time services, whatever earned is a bonus, and hence. the discount does ’not matter for them. For consumers, it is a bonanza because they get to experience the products and services at a much lower price than they would have to otherwise pay for them. The offers posted on Goupon are generally time-sensitive, and therefore, will help generate demand within the time, and thereby beget earnings to the organizations. Otherwise the organizations will have to wait for a longer time to liquidate the stocks and manage to avoid such idle time services, which will anyway not guarantee the liquidation and realization of earnings. The beauty of a Groupon transaction is that offers are time sensitive and that the offers are available only if certain minimum quantity is essentially purchased by all the consumers put together. Hence, by design and default, organizations stand on a trade-off and will not be put to unexpected losses or go beyond the expense they were prepared for in exchange for liquidating their excess stocks and idle servicing times. In return for availing the service of Groupon, the organizations earning such additional opportunity earnings will have to share about 50% of their earnings with Groupon which made the earnings possible. The daily deals are posted on Groupon only to their registered contacts and, therefore, confidentiality is assured to the organizations. Further, to these registered contacts, online or offline vouchers are issued which can be redeemed at the organizations offering the products and services at a discount through Groupon. While redeeming the discount vouchers, the consumers pay up the price, excluding discount. As the transaction gets routed online, the Groupon gets to know the status of the transactions on a real time and debits the organization for the amounts receivable from the organizations by Groupon. The process, seemingly, benefits everyone. The organizations that could not sell their excess stocks and the consumers who could not have otherwise afforded the products or services, and Groupon which earns its revenues from the transactions, all are, thus, benefited from the transaction.

Model

A unique feature of grouping all the buyers together along with huge discounts on the products and services is the concept of Groupon. In the process of grouping the buyers together, the firm (Groupon Limited) has bargained with the manufacturer or seller to reduce the price for the products sizably i.e. if a product is available in the market for $100 it is offered through Groupon at $50 only. This reduction in the price is given to the customers as a coupon to induce the customer to buy the product. This type of group-buying models for organizations and individuals are presented by Lilien, Kotler, and Moorthy (2003) for both industrial units and individual customers.2 Accordingly, any of the proposed models of group buying can be classified into one of three categories: non-quota schemes, where there is no pre-specified minimum number of group members who must favour an alternative for it to be related; agreement quota schemes, where the group liberates until a pre-specified number (or proportion) of the group selects a given choice; and an individual decision scheme, where one group member chooses for the group. The models like weighted probability model, equi-probability model, and the voting model and preference perturbation model fall into non-quota models. The majority rule model and the unanimity model fall into the category of quota models and the autocracy model falls into the category of individual decision model. Primarily the weighted probability model says that the choice of a product is done by a person in charge for selection and assumes that the group members will follow and accept the same. In the case of equi-probability model, all the members in the group probably select the same. In the voting model, the product is selected by a largest number of decision participants. And the preference perturbation model assumes if the group does-not reach unanimous agreement, it is most likely to choose the alternative that least 'perturbs' individual preference structures. The majority rule model is a special case of the voting model when there is a quota (say

50% or more) that is required to agree for an alternative to be chosen. As operationalized by Choffray and Lilien (1980), the majority-rule model differs from the voting model only in how the group resolves ties (their voting model) randomizes the vote while the majority rule model must reject. In groups larger than three, the two models can generate significantly different results. As the merchants and Groupon together decide the price to be offered to the customer, we can conclude that it is a weighted-probability model in the non-quota scheme. And the numbers are also decided by the two together which is not reflected on the website, excepting the number of people who had opted at a specified time and how much time is left for utilizing the same.

Target Group

Initially, people learned from their friends or family members about Groupon and the coupons on the website. Later, the firm to encourage word of mouth publicity gave $10 towards a future purchase for each referral that the customer brought. In January 2010, Facebook and Twitter were Groupon's top referring sites, accounting for 44% and 8% of traffic respectively. Groupon soon began supplementing these efforts with heavy spending on paid search engine advertising and other online marketing. The company launched its TV campaign beginning with an advertisement aired during the Super Bowl. The ads featured celebrities who first appeared to be speaking on behalf of some social or political cause, but then segued into a Groupon endorsement, as in one spot with actor Timothy Hutton: "The people of Tibet are in trouble. Their very culture is in jeopardy. But they still whip an amazing fish curry. And since 200 of us bought at Groupon.com, we are getting $30 off on Himalayan food for just $15 at a Himalayan restaurant in Chicago. Consumers, too, responded and availed the Groupon's services and it has become popular among the young, well educated, unmarried, and relatively affluent. Over three-fourths of subscribers were women and consumers were not only enthused about the money that they saved but also about its convenience, variety, and other benefits.

History and Evolution of Groupon

The grouping of people interested or persuaded to buy a product is the business where the website Groupon has taken up and leveraged the technology, like that of a cooperative."Andrew Mason and his team launched Groupon in November 2008 in Chicago to focus on collective buying power".4 Groupon could help citizens find reasonably priced commodities and services devoid of irresistible choices by starting to offer one deal a day. During 2009 and 2010, Groupon experienced rapid growth and was soon serving over 150 markets domestically and over 100 additional markets internationally. In the years 2009 and 2010, the success of the Groupon deals attracted attention from many industries and those who wanted a pie in the daily discount deals market. During the same period of 2009–2010, several competitors and copycat firms entered the market like LivingSocial, BuyWithMe, and the new "Deals" section on Facebook.5 Groupon was launched by Mr. Andrew Mason along with his team in

November 2008 in Chicago. The initiation of starting Groupon was derived from Andrew's own experience of launching, attempting, and closing a similar group-concept online entity, "'The Point"'. The Point demonstrated that group activity can achieve better results, although it itself could not achieve great advertising on its site which was the key source of revenues for such an online-entity. With its initial success of achieving promising response to its one deal per day, Groupon moved on to offering multi-products and services simultaneously to several consumers. In a short span of about two years, by 2010, Groupon started catering to about 250 markets, including 150 domestic markets and about 100 international markets. The mission for the company was very simple—bring the customer and vendor together for an economic price and enable the customer to do, see, buy, and eat at a very low price. The vision for the firm is to help come out of the stress of many and offer one new thing a day and treat the customer in the way that they like to be treated.6 The three vital elements that kept the business of Groupon going was: The firm sells the products or services that its employees would be interested in. The cautious selection of new vendors meant that users should feel cosy venturing out and trying something with confidence that it is featured on Groupon. The idea of no hidden terms or conditions to avoid sour experience to the users of Groupon brings the true love to the company and improves the brand. Finally, the last tenet is unbelievable customer service, which the company defines clearly, "If you contact us, we'll do what it takes to make things right – and we'll do it fast."7 Andrew Mason took the lead and attracted experienced group of senior management who shared his vision, ambition, and jovial corporate culture.8 The management has shared the drive and willingness to take risks and bring innovations in the firm. Groupon is an innovative company, not through development of a "me-too" product, but by forming an entire new market space. The company won a Chicago innovation award in the year 2009 when they were less than a year old.9 Further, Fast Company has called them "a savior for small businesses" and "the most exciting thing to happen to retail since eBay.10 In addition to the above, Groupon went ahead and leveraged technology in terms of improving the access to the deals through mobiles and real-time technology which offers ultra-localized services based on your GPS. The huge success of Groupon and its model has been easily duplicated by many other similar online daily deal providers. Similar organizations include LivingSocial, Buywithme, Deals, etc. Interestingly, each of them has done quite well even by merely duplicating the business model of Groupon. It shows the strength of the model Groupon has pioneered to implement and also how vulnerable the players are towards rapid and intense competition. Groupon has been of financial interest to many investors. This is demonstrated in the ability of Groupon to mobilize substantial amounts in its initial years itself. Groupon had associated with Digital Sky Technologies and under a common program has mobilized about USD 135 million under a common program for its business expansion purposes. To expand its reach and presence in international markets, Groupon used its mobilized funds and acquired CityDeal, which has good presence and business operations in Germany. CityDeal has almost the similar business model like that of Groupon and provided an instant opportunity to Groupon to grow bigger. Groupon is understood to be among the fastest companies to achieve USD 1 billion sales. Not to exaggerate, Groupon may be the company to achieve the same with relatively less capital. No wonder Groupon is confident of its business model and its prospects that it is understood to have rejected an acquisition offer from Google Inc. for USD 6 billion. Groupon first came to public in the capital markets in February 2011 and raised about USD 700 million and became the second largest IPO of US internet companies. The IPO was a huge success and post IPO its valuation was about US $13 billion, more than double that was offered by Google Inc. However, for various reasons, later the valuation swindled later and Gropon stock has been trading at a considerable discount to its listed price.

Alternatives and Approaches for The Business Model

Groupon business model: In the meeting, some of the alternatives that the regional marketing officers have listed the pros and cons for the organizations and consumers as follows:

Advantages to Organizations

(i) Can liquidate their excess/unsold stocks or idle service time

(ii) Fixed costs can be absorbed by the additional sales through Groupon API

(iii) Customer base can be created within a short span

(iv) Products or services can be promoted effectively within a short span and with less cost

(v) Instead of reducing the operating capacity, the demand can be increased

(vi) Awareness of the product and service in the exact locality where the organization is operating and the advertisement is a concentrated one

(vii) Can provide comparison of prices of similar products and services to consumers to enable them to make the right choice.

(viii) Can focus on main business without concern about the excess unsold stocks or idle- time service.

(ix) With the promotion through Groupon and with the concurrent increase in the overall demand, the organization can achieve scale of economies and in the process can make its product or service more price-competitive.

(x) Enables the organization to assess exact demand from time to time and in various localities

Advantages to The Consumers

(i) Get to know new products and services within their own locality

(ii) Get an opportunity to test/experiment new products and services within their own budget

(iii) Get to know about all the daily deal offers at one place viz., Groupon website

(iv) Can compare the quality and price of complementary and supplementary products or services
(v) Benefit with the discounted price which is not otherwise possible for any given individual consumer to avail by forming a group on his own and make a group purchase
(vi) A readymade bargain deal for the consumers
(vii) Secured platform with real-time delivery mechanism supported by Groupon
(viii) Have an opportunity to offer their feedback, which plays a very vital role for Groupon to decide about the future deals of the same organization and for other consumers to get to know about the feedback and make their choice
(ix) Ease in transacting i.e., choosing a product or service, obtaining vouchers through Groupon mechanism, redeem the same and get the delivery.
(x) Can change their preferences and choices very frequently without any disturbance

Limitations of Groupon Model of Business

(i) May not be a sustainable way of increasing sales for the organizations because it is not sure what quantum of excess unsold stock will be available on a given day, and such uncertain quantities may fail to build a loyal customer base.
(ii) Consumer expects the same discount or further more discounts every time s/he intends to purchase through Groupon mechanism.
(iii) This mechanism may act as a repellent to the existing loyal consumers who may shift to another product which they perceive is rightly priced against the one which has varying discount offers from time to time. This may result in losing out of business in the medium to long term.
(iv) Other organizations in the particular locality where Groupon discount deals are happening will be under pressure to reduce their price lest they may lose their business. This may result in reduction of quality along with the reduction in the price.
(v) Sharing the revenues with Groupon is justifies but the share, as understood to be up to 50%, is quite high and the organizations will factor in the same, and thereby again loading it on to the consumers. This may bring back the whole mechanism to square one in terms of price competitiveness, and thereby adding no value but creating another parallel intermediary.

Challenges and Dilemma

In the globally competitive environment, the firms are continuously looking for smarter ways of marketing and improving their sales. This is because the logic of economies of scale with low margins has become the general buzz of the business world. In that context, marketing of products and services has become a great challenge to the firms' regardless of their size, location, and the nature of business.

Firms' envisage revenue at least above a minimum scale that would absorb its fixed costs and any excess over and above being profit. Particularly when the firms' are operating at less than the capacity, each increase in unit sold can make a good amount of marginal profit and contribute to value creation to the firm and the shareholder of the firm. Accordingly, their planned production or servicing capacities need to be growing over the period. Obviously, the fixed costs will commensurate with the established capacities and demand revenue levels that would at least absorb variable costs and fixed costs. Having enlisted few of the numerous advantages and shortfalls of the Groupon model, it appears that the advantages have an edge over the shortfalls, at least at this stage of the lifecycle of Groupon business model. In the present day, with nuclear families and individualized lives world, real group-buying is hardly possible and Groupon model of group buying, which is actually several independent buys but grouped online to become an aggregate group buy of large quantities, is sufficient enough for the seller to offer convincing discounts to the mutual benefit of the consumers, organizations, and to the economy as well. In all, the two strategies of scaling up the capacity utilization and leveraging technology with intelligent marketing is enabled through Groupon and its empowered consumers.

However, the demand for the products and services may not meet the projected levels resulting in an increase in stock levels and loss of revenues. For medium and small organizations, it is very stressful and their very existence may be under threat. For such start-up organizations and also for already existing organizations, the Groupon model of group buying is a boon that their business can sustain with their required minimum volumes and the consumers can get their required products and services at affordable prices.

Annexure – I Customers Gupta, S., Weaver, R. & Rood, D. (2012) "the firm in the initial stages depended on a sales team that called merchants around the country, as the time passed by Groupon built sales force of account executives based in local markets.11 A variety of businesses were brought under the umbrella of Groupon, and the services predominated in the entire sales, though deals for products were also there and more of baked goods and other foods. The mix of merchant category is as follows: Category12 Percent of Deals Run Percent of Vouchers Sold Dining 23% 36% Salons and Spa 18% 14% Lessons 13% 7% Entertainment and Culture 12% 13% Recreation and Travel 10% 9% Perishables 9% 8% Apparel 4% 7% Other 11% 7% It is also learnt that most the companies approaching Groupon were firms with tight budget and according to a survey conducted by Marketing Services firm MerchantCircle it is found that the businesses spent less than $2500 a year on marketing without much expertise to adopt new technologies and media. The lure of an outsourced online promotion with no up-front expenses has compelled the firms to choose Groupon. When the firm entered an agreement for promotion with the merchants, the basic standard that they had was that the merchant will supply the product or service at a 50% discount on the listed price. The deal was activated only if the number of buyers achieved a minimum number set by the merchant and with other terms like voucher's expiration date and in some cases limits on individual or total purchases.

Annexure – I

Customers

Gupta, S., Weaver, R. & Rood, D. (2012) "the firm in the initial stages depended on a sales team that called merchants around the country, as the time passed by Groupon built sales force of account executives based in local markets.11 A variety of businesses were brought under the umbrella of Groupon, and the services predominated in the entire sales, though deals for products were also there and more of baked goods and other foods. The mix of merchant category is as follows:

Category	**Percent of Deals Run**	**Percent of Vouchers Sold**
Dining	23%	36%
Salons and Spa	18%	14%
Lessons	13%	7%
Entertainment and Culture	12%	13%
Recreation and Travel	10%	9%
Perishables	9%	8%
Apparel	4%	7%

It is also learnt that most the companies approaching Groupon were firms with tight budget and according to a survey conducted by Marketing Services firm Merchant Circle it is found that the businesses spent less than $2500 a year on marketing without much expertise to adopt new technologies and media. The lure of an outsourced online promotion with no up-front expenses has compelled the firms to choose Groupon. When the firm entered an agreement for promotion with the merchants, the basic standard that they had was that the merchant will supply the product or service at a 50% discount on the listed price. The deal was activated only if the number of buyers achieved a minimum number set by the merchant and with other terms like voucher's expiration date and in some cases limits on individual or total purchases.

The Groupon would put the deals only for a day and the alerts go by email, alerts, etc. The website would have the deals on the page with details like "Sandy's Sandwiches - Multiple Locations" Four $5 Groupons or Three $10 Groupons, Good for Sandwiches and Drinks at Sandy's Sandwiches (Half Off), Value $20 Discount 50% You Save $10 - Limited Time Only 6 days 00:08:32 - this means only 8 minutes 32 seconds are left and as I am writing this document the time has gone to 7 minutes and 57 seconds - also followed by the number of people bought over 630 bought Limited quantity available is also presented.

Annexure – II

Guidelines for Merchants Gross margin: Daily deals are most profitable for merchants who sell high gross margin products and services. Merchants, such as spas and helicopter rides, who have high fixed costs and low variable costs can benefit from daily deals by attracting new customers that cover their fixed costs.

1. Capacity Utilization: Daily deals can also be useful for merchants if they plan these deals to fulfil their unused capacity or sell perishable inventory, such as food that spoils, clothing that goes out of fashion, a seat at a live concert performance or a masseuse's 30-minute time slot. Restaurants that are at full capacity for dinner but have limited traffic at launch may offer deals for lunch to fill unused capacity and also induce trial for new customers.
2. Customer Acquisition: Our analysis shows that daily deals can be profitable if they attract new customers who have not used a merchant's service before and use deals as a means to try a new product or service. this suggests that merchants should not offer deals too frequently and find mechanism to limit redemption by prior customers. For example, in 2011 Zoots dry cleaning service offered Groupon with the condition that customers who redeemed a Groupon in the last 90 days were not eligible for this deal.
3. Repeat Visits: Daily deals especially profitable if new customers become repeat customers in the future. This has two implications. First, novelty products such as helicopter rides are less likely to have repeat customers. While these businesses may still benefit from daily deals due to high gross margin, they should assess the value of such deals from current voucher redemption only. Second, merchants should actively manage to convert new customers into regular customers. For example, anecdotal evidence shows that many merchants treat their deal customers poorly as they consider them "cheap stakes". However, this may lead to a self-fulfilling prophecy where new deal customers may see no reason to come back to the merchant in the future.
4. Merchants should also set up processes to capture new customers' information during redemption process, such as by requiring online registration to attend a class or by offering inducements to sign up

for a loyalty program. This will allow merchants to market directly to these new customers.

5. Up-spend: Merchants can encourage up-spend by offering additional goods at redemption, such as concessions at a sporting event. Alternatively, they may offer vouchers with a low face value compared to the average ticket, such as $20 towards dinner at a nice restaurant.

Source: Gupta, S et al (2012) “Are Daily Deals Good for Merchants?” Harvard Business School Case No. 9-513-059, December 10, 2012.

Annexure – IV

Key Indicators to Daily Deals and Profitability

The merchants have to be careful and understand whether the daily-deals model through Groupon is profitable for them or not and what price that they can offer the product or service to the customers through the website. According to Gupta, S et al (2012) Groupon has achieved great success in a very short time on the daily deals—services that encourage businesses by selling intensely discounted vouchers paid in advance to a group of people meeting online. And, by all accounts, their experiences have been amazing. On the contrary, the criticism emerged over a period was that on the value creation for the merchants whose goods and services are promoted. What will be the factors one has to take into consideration while evaluating the value creation for merchant? Obviously, the number of vouchers sold, the actual proportion of vouchers redeemed, and the willingness of the consumer to spend extra at the time of cashing of vouchers. The basic principle of value creation should be that after approaching Groupon the customer base has increased and the merchant is able to sell more units than that of the sales prior to Groupon. Secondly, lesser time and effort is required to generate the same revenue as compared to what the merchant is generating from marginal increase in the sales after Groupon. Gupta, S et al (2012) have given the model and discussed as follows:

Long Term merchant Profit= Voucher Purchase and redemption - cannibalization from prior customers + future profit from new customers

Voucher Purchase and Redemption = (merchant share of Voucher Revenue) + (up-spend at redemption - Cost of goods) (Redemption rate)

Cannibalization from Prior Customers = (forgone profit)(% prior Customers)(Redemption Rate)(Cannibalization Rate)

Future Profit from New Customers = (profit per visit) (% new customers) (redemption rate) (future visits per year)

The important points the merchants have to understand is that there could be cannibalization of the existing customers, or the shift from normal mode of payment to discount option using Groupon. Therefore, the merchants have to have a clear idea of as to how much percentage of customers are shifting from the normal mode of payment to discount vouchers. Secondly, the merchant also has to take care of the terms and conditions of redemption of vouchers and the time to use them. The merchant will be offering the products or services with price discrimination to the customers. The coupon holder would pay just 50% of what the customer who does not hold the coupon—is it going to harm the long-term interest of the merchant or not? The research in that area argues that the discount vouchers prepare the customer to pay higher price in future. On the other hand, others argue that the discount vouchers make the customer expect such discounts in future

The third important thing that the merchant needs to understand from data whether the customer is spending more than what he was spending. If not, and it has shifted from the normal payment to discount voucher, is it not going to affect his business sustainability. Another vital aspect is that how many new customers are attracted to the business and the product or service after Groupon vouchers—is it enabling the business to grow and increase the turnover substantially or at least more revenue is being generated than the additional cost that the business is incurring. Is the customer, post using the vouchers given over Groupon, visiting and purchasing the product? If yes, what is the percentage and if no, what could be the reasons and what has to be done to attract the customer and retain him/her?

Questions

1. How to identify potential consumers, here the retailers who want to buy the Groupon products and differentiate these retailers as per "Retails Formats". (Hint: Refer Annexure I in TN given (i.e., Table 22.1, p688; Table 22.2, p690 and Table 22.3, p691, Kotler, 15th edition).

Learning outcome is about understanding different retail formats and how it varies.

2. What are the business factors the target groups retailers consider to evaluate and use the Groupon business deals or offers? (Hint: Refer Annexure III in the case study).

Learning outcome is about the retailers' understanding of the business deals, coupons offers, and analyzing the rationale of choice.

3. What should be the offer mix given to the retailers by the sales team of Groupon for different retails formats. (Hint: Refer Annexure I in case study).

Learning outcome: Buying criterion of different products retailers when they choose different deals.

4. What are the various factors that retailers should consider to generate profits with respect to doing business in different product category or assortments? (Hint: Refer Annexure IV Key indicators to Daily Deals and Profitability)

Learning outcome: The dynamics of learning the product assortment and profit generating alternatives objectives with respect to different retailers.

CASESTUDY 5

INFINITI RETAIL (CROMA): IT INFRASTRUCTURE FOR RETAIL CHAIN

National Chain of Retail Stores Moves to hosted solution, reduces Total Cost of Ownership (TCO) by 25 to 30 Percent to boost IT efficiency and give employees access to unified communications, Infiniti Retail decided to move to Microsoft Exchange Online, a part of Microsoft Business Productivity Online Standard Suite. It is now benefiting from simplified data backup and recovery, along with improved mobile access to email. Additionally, the move to the new solution has resulted in improved communication, collaboration, and productivity; reduced IT effort; and a 25 to 30 percent reduction in Total Cost of Ownership (TCO). Business Needs Infiniti Retail, a TATA Enterprise, operates a national chain of multi-brand electronics stores under the brand name Croma. Croma is one of India’s first national, large formats, specialist retail chain of consumer electronics and durables. The 150+ stores with new ones opening regularly across the country offer more than 6,000 products and 200 brands in seven plus categories. Retail today is all about being better, faster, and leaner. Whether you are a global chain or an internet-only outlet, the willingness to adapt and adopt is essential to survival. Infiniti Retail maintained its email servers on premise. The company had two exchange servers, both of which were five year old and were running on Microsoft Exchange Server 2003. With around 2,700 employees, of whom 700 were email-enabled employees, email was critical. And, as the number of stores and employees both were increasing, approximately 10- 25 email ids had to be created every month. To safeguard against disk failures, backups were taken on tapes, which is again a cost. At times, there were backup job failures, which required manual DNYANSAGAR INSTITUTE OF MANAGEMENT AND RESEARCH Prof. Sameer Patil www.dimr.edu.in intervention to troubleshoot, which was time consuming task. Another significant challenge was setting up a disaster recovery server. With such an old infrastructure, hardware support had ended and so hard disk scalability in the server and creating these email ids was turning out to be a challenge. The hardware had reached the end of its life, as support for the servers was no longer available. In addition, new versions of messaging software offered many more services and features, such as unified communications. Refreshing the entire infrastructure was inevitable,” says Mr. Nadeem Malim, Senior Manager – IT, Infiniti Retail. “We needed to provide state-of-the-art IT services without the need for large on-site infrastructures.” Solution: The Company evaluated couple of on-premises, hosted, and leading cloud-based messaging solutions. After a proof of concept, it finally made the decision to go with Microsoft Exchange Online, a part of Microsoft Business Productivity Online Standard Suite, a cloud-based set of messaging and collaboration tools, delivered as a subscription service. The solution gives businesses rich capabilities without the need to deploy and maintain software and hardware onpremise. “The POC showcased how cloud solutions can reduce costs, improve agility, and enhance global consistency,” says Mr. Nadeem Malim. Infiniti Retail partnered with Microland, Microsoft Infrastructure Partner, for the deployment of the solution. Infiniti Retail migrated its 700 email users in just 60 days to Microsoft Exchange Online. “The switchover was absolutely smooth for us and we could access the same email as before,” says Mr. Nadeem Malim. Users can access the advanced email, calendaring, contact management, and task management features of Exchange Online through the Microsoft Office Outlook 2007 and Outlook 2010 messaging and collaboration clients, or they can use Microsoft Outlook Web App to access the same functionality from almost any web browser. IT staffers can now create bulk email ids in few minutes, with no worries about storage and server sizing, etc. Additionally, they no longer need to perform backup operations to ensure redundancy for their messaging environment. Instead, mailbox data is continuously replicated to Microsoft data centers in distributed geographic locations. Exchange Online runs in secure Microsoft data centers that are geographically redundant. In addition, mobile support for smart phones enables devices to quickly connect mobile users to email and other messaging functionality. Capabilities provided by Office Live Meeting are also under evaluation to conduct virtual meetings for project teams, Operations, HR interviews and groups, where face-to-face meetings would be difficult. This would also reduce some traveling expenses. The capabilities provided by Business Productivity Online Standard Suite all work together along with Microsoft Office desktop applications to deliver a seamless experience. Benefits: Hosted IT Reduces TCO by 25 to 30 Percent Because Infiniti Retail outsources its IT, the team doesn’t have to think about server management, back-up, disaster recovery, installing and upgrading software, monitoring security, troubleshooting or any other IT maintenance issues. All this is taken care of by Microsoft. “We just pay a monthly fee and it’s all managed for us,” says Mr. Avijit Mitra, Chief Financial Officer, Infiniti Retail. “Eliminating the need to buy or manage infrastructure means tangible savings. We estimate that our TCO will reduce by 25 to 30 percent.” Easy to Manage System Reduces IT Effort, The Company’s move to Microsoft Business Productivity Online has also yielded productivity gains by reducing system administration workload by approximately around 25 to 30 hours a month. Because Microsoft hosts and manages the servers, the company does not have to invest in hardware or the administrative support required to deploy and manage solutions in-house. Integrated Solution Boosts Productivity. The company is confident that seamless access to email, calendars, contacts, and business documents increases workforce efficiency. Exchange Online offers scalable and cost effective solution to enable such seamless access. ,” says Mr. Avijit Mitra. Question.

What are the basic problems faced by the company? Discuss the measures to overcome the problems faced by the company? **Analyse the case thoroughly**