THAKUR COLLEGE OF SCIENCE AND COMMERCE
DEPARTMENT OF COMMERCE
FYBCOM COMMERCE-II (SEMESTER-II)

FYBCom Commerce II: Service Sector (TCSCUCCOM 202)

Objectives:

1. To familiarize the learners with basic concepts of Services.
2. To make learners aware of current trends in Retail Sector.
3. To explain the recent trends in services with reference to ITES sector, Banking and Logistics.
4. To explain the dynamics of E-Commerce.

Syllabus at Glance

Sr. No.	Module	No. of Lectures
1.	Concepts of Service	12
2.	Retailing	12
3.	Recent Trends in Service Sector:	10
4.	E- Commerce	11
	Total	45

Outcome:

1. Learners will be able to understand the conceptual learnings of services with its orientation in business.
2. Learners will be able to apprehend the current trends in the retail industry.
3. Learners will gain knowledge and understand the applications of IT in business.
4. Learners will be able to analyse current trends of E-Commerce which will enhance their employability.

Detailed Syllabus

Sr. No.	Module	No. of Lectures
1.	**Concepts of Service**	12
	Introduction: Meaning, Characteristics, Scope and Classification of Services –Importance of service sector in the Indian context **Marketing Mix Services:** Consumer expectations, Services Mix, - Product, Place, Price, Promotion, Process of Services delivery, Physical evidence and people	

	Service Strategies: Market research and Service development cycle, Managing demand and capacity, opportunities and challenges in service sector.	
2.	**Retailing**	**12**
	Introduction: Concept of organized and unorganized retailing, Trends in retailing, growth of organized retailing in India, Survival strategies for unorganized Retailers **Retail Format:** Store format, Non – Store format, Store Planning, design, and layout **Retail Scenario:** Retail Scenario in India and Global context – Prospects and Challenges in India. Mall Management – Retail Franchising. FDI in Retailing, Careers in Retailing	
3.	**Recent Trends in Service Sector:**	**10**
	ITES Sector: Concept and scope of BPO, KPO, LPO and ERP. **Banking and Insurance Sector:** ATM, Debit & Credit Cards, Internet Banking –Opening of Insurance sector for private players, FDI and its impact on Banking and Insurance Sector in India **Logistics:** Networking – Importance – Challenges	
4.	**E- Commerce**	**11**
	Introduction: Meaning, Features, Functions and Scope of E-Commerce-Importance and Limitations of E-Commerce **Types of E-Commerce:** Basic ideas and Major activities of B2C, B2B, C2C. **Infrastructure & E- Payment:** Internet & its role in E-Commerce, Procedure of registering Domain, Transaction through internet, Requirements of E- Payment System	

1) CONCEPT OF SERVICES

A service is an act or performance offered by one party to another. Although the process may be tied to a physical product, the performance is essentially intangible and does not normally result in ownership of any of the factors of production.

Services are economic activities that create value and provide benefits for customers at specific times and places as a result of bringing about a desired change in – or on behalf of – the recipient of the service.

MEANING AND DEFINITION

More amusingly, services have been described as "something that may be bought and sold, but which cannot be dropped on your foot."

The term services is not limited to personal services like auto servicing, beauty parlors, Medical Services, legal service, Consultancy services etc. On the contrary, it has other connotations according to management gurus. Services have been defined in several ways but there does not exist any universal definition. Some definitions have been mentioned below:

'Establishments' primarily engaged to provide various services to individuals, businesses and government establishments, other organizations, hotels and other lodging places, establishments providing personal services as per individual requirement, entertainment services. Educational institutions, membership organizations and other miscellaneous services are included' -Saser, Olson and Wyekoffs

'Services refer to social efforts which include government to fight five giant evils, want, disease, ignorance, squalor and illness in the society.'-Sir William Bieveridge

'Services can also be defined as an action(s) of organization(s) which maintain and improve the well – being and functioning of people". Hasenfield

'Services are activities, benefits or satisfactions which are offered for sale or are provided in connection with the sale of goods.' -American Marketing Association

Philip Kotler and Bloom (1984) Philip Kotler and Bloom defined service as "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product." This definition more or less follows the earlier ones. The focus was given to the absence of ownership as a special feature of services, which has significant business implications.

FEATURES

For services marketing, the distinguishing features or characteristics of services are important in the design of an appropriate marketing mix. The core characteristics are defined below:

Intangibility:

Even though many services include tangible aspects such as an airline seat, a classroom, a restaurant table and food, the service performance leading to a customer's experience is intangible. The benefits of buying a service are from the nature of the performance. In comparison to physical goods, services cannot be stored or readily displayed. They are difficult to communicate, cannot be protected through patents and prices are difficult to set. The intangible nature of services often means that customers have difficulty in evaluating and comparing services. As a result they may use price as a basis for assessing quality and they may place greater emphasis on personal information sources. All this leads to consumers having higher levels of perceived risk.

Inseparability:

Because services are processes, deeds or acts, customers are involved in the production of a service. Also other consumers may be involved in the production environment and centralized mass production is difficult, particularly if the service is more complex or customized. For most services both the buyer and the seller need to be at the same place at the same time for the service to occur. Because centralized mass production is difficult, consumers often have to travel to the point of service production. For example, it is hard to imagine a haircut without both customer and hairdresser. For a bank clerk or hairdresser the manner in which the service is produced is an essential element of the total promotion of the service.

Thus the behavior and attitude of other consumers may have an impact upon the nature and experience of a service. For example, a loud or over – demanding customer can deflect the service staff's attention and impact the quality of service delivery to other consumers. In this circumstance it may be difficult for the service providers to control the quality and consistency of the service, unless the staff has been trained to deal with such situations in a precise and effective manner.

Perishability:

Given the intangible nature of services, they cannot be inventoried, stored warehoused or re – used. A lawyer cannot store parts of his or her knowledge for others to use while the lawyer is in court or on holiday. The hairdresser cannot store haircuts so that when a rush occurs on a Sunday morning all customers can have their hair cut at once. Thus the availability of enough opportunities for service delivery at relevant times is important for service managers.

Customer participation:

Service production is not a one – sided activity. Customers are co – producers of service. The production quality of the service greatly depends upon the ability, skill and performance of the employees as well as the ability and performance of the customer. In the service interaction, although the employees and the customers do not play an equal part in production, the role of the customer cannot be overemphasized.

Service firms should make the customers cannot be overemphasized. Service firms should make the customers aware of the service package and the production process through proper communication media. They should take necessary steps to train customers, if necessary, to provide quality experience of the service. Perfection from the organization's side in service production cannot ensure positive results unless the consumers are involved with the process.

Therefore, specific and special orientation to different groups of customers is necessary.

No Ownership:

Service consumers will have experiences but not ownership. Since the services are intangible and perishable, the question of ownership doesn't arise. But this characteristic will add to the problems of the service marketer. Convincing the customer with tangible goods on which he will have ownership through transfer of title is much easier than selling an experience where nothing remains after consumption, except the memory of it. Customer dissonance would be higher in the case of services than of goods.

<u>Scope of Services</u>

Services have many sub-sectors, they are connected with each other. The following are the various areas/scope of services:

1. **Transportation:** It brings place utility. It helps in moving the goods from one place to another Transportation includes roadways, railways, waterways and airways. It helps in bridging the gap between service provider and service user. Transportation helps to distribute the goods and services. It promotes industrial, agricultural and economic development.
2. **Warehousing:** Warehousing creates time utility. It is the storehouse or godown. It helps in storing the goods on a large scale. Warehousing also protects the goods from the sun, wind and rain. It helps in providing regular supply of goods to the consumer.

3. **Banking:** Banks provide loans and advances and also help in depositing money. Banks provide financial services to the individual as well as the corporate. It provides the ATM services, debit cards, credit cards, net banking, and locker facility and so on. These services are helpful in increasing the companies' capital which in turn raise the GDP of the country.
4. **Insurance:** Insurance service is taken by the individuals as well as by the corporates. It helps in reducing risk in the personal as well as in the corporate life. Insurance is taken for protection of various risks and uncertainties like health, theft, natural calamity, fire and so on.
5. **Education:** Education is also a part of the service sector. It also adds to the economy of India. There are many universities and courses, nationally and internationally. Indian universities also have tie-ups with other foreign institutions. It gives a very wide variety and exposure in service sector.
6. **Information Technology (IT) Services:** IT is the leading service in our country now. It is important for the economic growth of India. Wipro, Drade Financial, Tata Consultancy and Infosys are a few well-known IT companies. IT generates lot of employment to India and also adds to the economic growth of our country.
7. **Tourism:** This sector has given a tremendous income to our country. It is the faster growing sector in India. There has been a steady rise in the total number of foreign tourists arriving in India. While
33.04 lakh foreign tourists arrived in 2014, it rose to about 36.36 lakh in the first five months of 2016 – a 13.48% rise. It brings lot of money to our country. The Government of India has allowed 100% FDI to this sector.
8. **Health:** Healthcare is one of the most important service sectors. There are many private and public hospitals in the society. Not only hospitals but there are many dispensaries, clinics and nursing homes to provide quality medical service to the patients. Health services also add to the GDP of our country.
9. **Retailing:** Retail sector is the growing sector in India. In India, unorganized retailing is very common like kirana shops, pan beedi shops, etc. India has a lot of scope in the organized sector like malls, departmental stores, multi-brand outlets, etc. The Government of India allowed 100% FDI

in single brands and 51% FDI in multiple brands. It helps to promote the economic development of India.

10. **Hotel Industry:** Hotel industry is also an important service sector. As India has good holiday destinations, many tourists visit India. Internally also, many people travel from one part of the country to the other. This gives rise to the hotel industry, which also plays an important role in the economic development of India. Taj Group of Hotels, J.W. Marriott and ITC Hotels are a few reputed names in the hotel industries in India, with the best amenities and arrangements.
11. **Other Services:** There are many other services that are important in the day-to-day activities of the people. They also boost the economic and social development of India. They are:
    (a) Media
    (b) Communication
    (c) Repairs and maintenance
    (d) Recreation services
    (e) Defense services
    (f) Courier services.

<u>Classification of Services</u>

The services can be classified or segregated into various types. Following are the types of services.

1. **Degree of Tangibility:** Services are mostly intangible. Few services are followed by tangible goods or products. For instance, if a banker tries to explain the benefits of a new scheme, then he is purely selling services. But if a banker tries to explain the benefits of the new credit card and tries to sell it, then in this case, services are followed with goods.
2. **Degree of Relation with Customer:** Services are classified on the basis of customers’ demands. It may be formal or informal in nature. For instance, if a teacher teaches in a class, then it is formal, but if a teacher gives tuition to weak student at home, then it is informal in nature.
3. **Degree of Customization:** When the services are classified on the need of the customers, it is said to be customized service. For instance, if a readymade garment shop sells its products, it is less customized, but if it is stitched by a tailor as per the customer’s needs, then it is giving a high degree of customization.
4. **Degree of Skill:** Services are also divided on the basis of the employee’s skill. If a service is divided on the basis of expertise, it may be professional or non-professional. Professional services may be like those of doctors, teachers and bankers. Non-professional services may be like the services provided by maids or domestic workers.
5. **Degree of Labour-intensiveness**: Services can also be divided on the basis of labour-intensiveness. Few services require a lot of labourers, like people working in a handicrafts or repairs unit. But few services are low labour-intensive, like ATMs or automatic packing of goods and other mechanised services.
6. **Degree of Business Goals:** Services may be also depend upon the business goals or objectives of a business objective is to earn profit, then the services provided may be very costly and if the business objective is to increase market share, the services may be slightly cheaper.
7. **Depends on Place and Time:** Services also depend on the place and time of service delivery. The service may be given at the place and time of service provider, like a beauty salon, or it may be given at the place and time of the services user, *e.g.*, a beautician visiting home as per the

customer needs.

8. **Degree of Government Rules:** Some services are highly governed by the government, like railways, defense, and so on. While some services have very little or no government control, like private cars or private schools and colleges.
9. Facilities or Equipment’s used: Services may also be classified on the basis of facilities or equipment’s provided. For instance, a fitness Centre may require more facilities and equipment’s than a house painter.

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Importance of the Service Sector in India

Service sector is the fastest growing sector in India. It has contributed to the growing employment, increase in GDP and also raised the standard of living of the people in India. It also helps to generate foreign exchange in the country. The following are the details of growing importance of the service sector in India.

1. **Share of Services in GDP:** The contribution of service sector to GDP has tremendously grown. After 1991, the concept of liberalization, privatization and globalization increased. It gave rise to the service sector. In 1950-51, GDP was 25%, it increased to 42.5% in 1990-91. After that in 2015-16, it was 64% and it will reach approximately to 90% by 2020.
2. **Revenue to the Government:** The sector provides revenue to the government in the form of service tax, corporate tax and individual tax. Services as a percentage of Gross Domestic Product (GDP) has increased from 50% in 2000-01 to nearby 60% in 2013-14. The effective service tax rate now is 12.36%
3. **Generates Employment:** It plays a very important role in generating employment. India has the second fastest growing service sector after China. The share of service sector is more in the urban areas, as compared to the rural areas in India. The service sector was contributing about 28% of the total employment in India in 2012.
4. **Service Sector Supports Other Sectors:** The other sectors like primary and secondary sector get the boost from service sector. The different services like banking, transportation, communication, and warehousing, insurance services and so on are all very important for the primary as well as secondary sectors.
5. **It Helps in Social Development:** Service sector helps in the development of the society. It strengthens the social development. The services like education, health, insurance, media, etc. are very important for the social development of India.
7. **It Helps to Improve Efficiency:** It plays an important role to improve the efficiency of the people in an organization. It helps to improve through good education, training and development, research and development, etc. in various fields. The improvement in the person helps to improve the quality of the goods and services and reduce wastage of resources.
8. **It Builds Reputation:** Service sector development helps to build reputation of the country. It helps to create a goodwill in the global market for India due to the improvement in goods and efficiency in the service provided.
9. **Various Sector-wise Growth in Service Sector:** Service sector is the fastest growing industry in India. It includes various sectors like banking, insurance, telecommunication, IT, transportation, warehousing, hotels, travel and tourism, finance, real estate and so on. There is a rapid growth in the services. The fast growing sectors in the recent years are IT, travel and tourism, finance, banks and insurance sector.
10. **Increase in standard of living:** The service sector has a tremendous growth in the GDP of India. It has contributed to GDP about 64% in 2015-16 and employment of about 20% of the total workplace in 2012. This has led to improved standard of living for the citizens of our country, as the income of the employees has increased. The purchasing power of the people has also increased the country.

CONSUMER EXPECTATIONS OF SERVICES:

Customer Expectations

Customer expectations are beliefs about service delivery that function as standards or reference point against which performance is judged. Customers compare their perceptions of service delivery with these reference points when evaluating service quality and therefore knowing what customers expects is critical in gaining competitive advantage.

Levels of Customer Expectations

Customers hold different types of expectations about service, the highest type of these are desired service and adequate service.

1. **Desired Service:** This is the highest level of customer expectation. Desired service is the level of service the customer hopes to receive. It is a combination of what customers believe “can be” and “should be”. It signals the level of customer hopes and wishes and belief that they may be fulfilled. Thus, failure to meet these expectations may result to customers cutting down on purchase.

For instance, in case of banking services, one expects prompt service, better complaint handling, high interest on savings, online availability of services, etc.

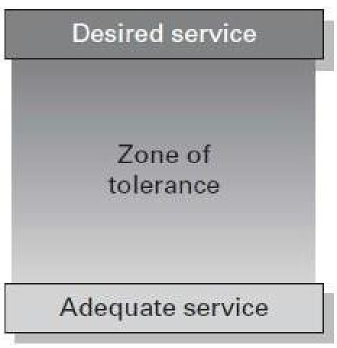
2. **Adequate Service:** Customers generally accept that the service would not always be performed according to their expectations and this is known as adequate service. Adequate service is the level of service that customers will accept. Though customers’ hopes and wishes may still be high, they have a certain level of understanding in cases where receiving desired service does not seem possible at all.

For example, customers are used to the self-service approach used in supermarket and therefore have certain levels of understanding or tolerance towards food retailers’ service delivery.

The Zone of Tolerance

Services are heterogeneous in that performance may vary across providers, across employees from the same provider, and even with the same service employee. The extent to which customers recognize and are willing to accept this variation is called the zone of tolerance. The zone of tolerance is defined as the degree to which customers recognize and are willing to accept service performance variations. Customers assess service performance on the basis of two boundaries: what they desire and what they consider acceptable.

- If service drops below adequate service level, customers get frustrated and this may cause dissatisfaction with the service provided by the company.
- If service is above the zone of tolerance, where service performed by the business exceeds the desired level, customers will have favorable responses to the business.



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Factors influencing customer expectations of services

Because expectations play such a critical role in customer evaluation of services, marketers need and want to understand the factors that shape them.

Factors Influencing Desired Service Expectation: One of the largest influences on desired service level are personal needs and personal service philosophy.

1. **Personal Needs:** Personal needs are, those states essential to the physical or psychological well-being of the customer. For instance, a cinema-goer who regularly goes to see films straight from work, and is therefore thirsty and hungry, hopes and desires that the food and drink counters at the cinema will have short queues and attentive staff, whereas a cinema- goer who regularly has dinner elsewhere has a low or zero level of desired service from the food and drink counters.
2. **Personal Service Philosophy:** It is the customer's underlying generic attitude about the meaning of service and the proper conduct of service providers. For instance, if a person have ever been employed as a member of waiting staff in a restaurant, he is likely to have standards for restaurant service that were shaped by his training and experience in that role. He might, for example, believe that waiters should not keep customers waiting longer than 15 minutes to take their orders.
3. **Other Miscellaneous Factors:**
   - Generally, better the image of the service organization, higher is the customer service expectation.
   - Customers expect high service level from the high charged/priced services, and *vice versa*.
   - Information about service.

Factors influencing adequate service expectations:

1. **Temporary Service Intensifiers:** It consists of short-term, individual factors that make a customer more aware of the need for service. Personal emergency situations in which service is urgently needed such as an accident raise the level of adequate service expectation.
2. **Perceived Service Alternatives**: These are other providers from whom the customer can obtain service. If customers have multiple service providers to choose from, or if they can provide the service for themselves (such as lawn care or personal grooming), their levels of adequate service are higher than those of customers who believe it is not possible to get better service elsewhere. For instance, an airline customer who lives in a provincial town with a small airport, for example, has a reduced set of options in airline travel. This customer will be more tolerant of the service performance of the carriers in the town because few alternatives exist. The customer's perception that service alternatives exist raises the level of adequate service and narrows the zone of tolerance.
3. **Customer's Self-perceived Service Role:** It is the customer perceptions of the degree to which customers exert an influence on the level of service they receive. In other words, customers' expectations are partly shaped by how well they believe they are performing their own roles in service delivery. For instance, a customer may give special instructions to the air hostess regarding specific services required, which raises his expectation level.
4. **Situational Factors:** It is defined as service performance conditions that customers view as beyond the control of the service provider. For example, during monsoon, delay in railway service. Customers who recognize that situational factors are not the fault of the service company

may accept lower levels of adequate service given the context.

MARKETING MIX FOR SERVICES:

The service marketing mix is also known as an extended marketing mix. The product marketing mix consists of the 4Ps which are Product, Pricing, Promotions and Placement. The extended service marketing mix places 4 further Ps which include People, Process, Physical Evidence and Productivity and Quality. All of these factors are necessary for optimum service delivery.

1. **Product:** The product in service marketing mix is intangible in nature. At the same time, service products are heterogeneous, perishable and cannot be owned. The service product, thus, has to be designed with care. In the service industry, the production and consumption of the product are simultaneous and the product is intangible. The nature of this 'product' allows for on-the-spot customization. Firms must try to differentiate its service product from other competitors so as to get competitive advantage in the market. For instance, ICICI Bank offers account opening at the doorstep of the customers. Some of the elements of a firm's product mix are:
   - core service offered
   - quality of service
   - service warranties and after-sale service
   - Product line and related services, etc.

2. **Place:** Place in case of services determine where the service product is going to be located. As mentioned, the service is produced and consumed in the same place. It cannot be owned and taken away from the location. This is why the place at which this transaction occurs is of vital importance. The location of the service provision is carefully analyzed to allow ease of access and the desire to make the effort to reach it. For instance, the best place to open up a petrol pump is on the highway or in the city. A place where there is minimum traffic is a wrong location to start a petrol pump. Elements of place mix are:
   - channel selection
   - transportation
   - area coverage
   - Location of store.
3. **Price:** Since a service cannot be measured by what material goes into its creation nor is the actual tangible cost of production measurable, it can be challenging to put a price tag on it. There are some tangibles of course, such as the labour costs and overheads. Firm can add mark up to the cost to determine price. But additionally, the ambiance, the experience and the brand name are also factors in the final price offering.
4. **Promotion:** Promotions have become a critical factor in the service marketing mix. Services are easy to be duplicated and hence it is generally the brand which sets a service apart from its competitors. To prevent a service from becoming interchangeable with its competitors, it becomes vital to create a desirable brand image and name in the market. Thus, firm should adopt

proper promotion mix. This will not only create awareness but will also attract both new and repeat customers. Elements of promotion mix are:

- advertising
- sales promotion (discounts, free gifts, etc.)
- salesmanship
- publicity.

5. **People:** This is a vitally important element of the service marketing mix. When a service is being delivered, the person delivering it is not different from the service itself. Customers make judgments about service provision and delivery based on the people representing organization. This is because people are one of the few elements of the service that customers can see and interact with. The staff requires appropriate interpersonal skills, aptitude, and service knowledge in order to deliver a quality service. For instance, when dining at a restaurant, if a rude waiter is encountered, the entire experience will be labeled as bad service. Elements of people mix are:
   - recruitment
   - selection
   - training and development
   - performance appraisal
   - compensation
   - process.

6. **Process:** This is the way in which a service is delivered to the end customer. This element of the marketing mix looks at the systems used to deliver the service. All services need to be underpinned by clearly defined and efficient processes. This will avoid confusion and promote a consistent service. In other words, processes mean that everybody knows what to do and how to do it. For instance, service process, in case of Domino's pizza, states home delivery in 30 minutes. In case of banking service, process for depositing money can be:
   - taking token number
   - waiting for one's turn, till the token is called
   - interaction between service person and customer, whereby service persons verify details of the customers from record and counts the money
   - entering transaction details in the bank record by staff
   - issuing counterfoil to customer after stamping Elements of process mix are:
   - service procedure and process
   - quality control
   - follow-up of customers

7. **Physical Evidence:** Services are intangible in nature. However, to create a better customer experience, tangible elements are also delivered with the service. Often, physical evidence is used as a differentiator in service marketing. The level of comfort and attractiveness of a service location may make a lot of difference to the user experience. A calm and soothing environment, with thoughtful comfortable measures, may provide a sense of security to a new customer which will make them return. Customers will make judgments about the organization based on the physical evidence. For example, imagine a private hospital and a government hospital. A private hospital will have plush offices and well-dressed staff. Same cannot be said for a government hospital. Thus, physical evidence acts as a differentiator.

- appearance/ambience of the store
- internal store decor (furniture, sanitation, lighting, ventilation, etc.)
- appearance of the staff

Apart from these 7Ps, there is one more additional ‘P’ of service marketing.

8. **Productivity and Quality:** Productivity, which is sometimes known as performance, examines how well a company’s services compete in the marketplace. This may include how consistent the service is and how well its features translate into benefits as it is being delivered.

Productivity and quality must work hand in hand. Improving productivity is key to reducing costs. Improving and maintaining quality is essential for building customer satisfaction and loyalty. Ideally, strategies should be sought to improve both productivity and quality simultaneously.

Process of Service Delivery

The process of Service Delivery can be explained through the service blueprint.

Service Process – Elements of Blueprinting

A service blueprint depicts the entire service process on a map and shows the various stages of customer interaction with the service provider, and provides minute details of the service delivery processes, the tangible evidence of the service, and the people involved in carrying it out. Blueprinting helps in breaking up the service delivery process into a series of logical steps. Blueprinting can be used in either designing or redesigning service products.

Elements of Blueprinting:

These elements are discussed by Zeithaml and Bitner in “Services Marketing”. The complexity of the service determines the type of symbols used and the number of lines in the blueprint. However, the rules in sketching the blueprint are not rigid.

The following are the various elements of a blueprint:

1. Customer Role:

This element involves all the steps a customer goes through in selecting a particular service, purchasing it, consuming that service, and finally rating it. For example, a customer visits a restaurant depending on the type of food he wants to eat and his financial position, he interacts with the service personnel in the restaurant and orders the food, he consumes the food, pays the bill, offers a tip, and finally he evaluates the whole experience.

2. Onstage and Backstage Employee Actions:

Onstage employee action can be any activity performed by the service employees that can be seen by the service personnel. Onstage employees’ action may include the manner in which a waiter takes the order, the way he serves, etc., which can be seen by the customer. On the other hand, backstage employees’ actions include those activities performed by the service personnel, which are necessary to support the onstage service personnel. Backstage employees are involved in preparing the food for the customers, arranging them, billing the service, etc.

3. Support Processes:

A service blueprint maps all the support services, activities, or processes that help the service personnel in producing and delivering the services. For example, a hotel may provide training for its service personnel (both onstage and backstage) on the aspects of service creation and delivery. This training is a support process.

4. **Technology:** A service provider needs to look into different aspects of the available technology and the extent to which it needs to be upgraded for delivering the desired services at the expected quality. For example, banks that are planning to introduce internet banking should analyse the available technologies, and upgrade their systems to offer services through the internet.

5. Conversion Process:

A service provider is required to choose a method of converting inputs into the desired output from the pool of alternatives available. For example, a bank can communicate with its customers through direct mail, facsimile, telephone, courier, internet, mobile phone, etc. The choice should be based on the organisation's ability to bear the costs involved, customer preferences, the service quality level offered by each alternative, user friendliness of each alternative and the speed at which it delivers the services.

5. Equipment:

A service provider should opt for equipment that is compatible with the other systems in the process. He should also analyze the extent to which it is useful in the process, compare its operating costs with the resultant benefits, assess the knowledge required by the operators to work with the equipment and finally, estimate its maintenance costs. This will help in choosing the right equipment for the process.

6. Flow of Process:

Process flow determines the flow of work from one stage to another to produce the final output. It involves the logical arrangement of service personnel and equipment to perform the operations according to the process. For example, McDonalds has a well-laid process flow with service personnel operating the equipment to deliver the standard services on time. Generally, companies use flow charts to develop the process flow.

7. Service Personnel:

Service personnel play an important role in production and delivery of services. In fact, they provide a competitive advantage to the service provider. A service provider should therefore be careful to hire the right people in terms of qualification and skills. He should then give them the right jobs to do, train and develop them continuously, and motivate them to deliver the best quality service.

8. Service Location:

As services are intangible in nature, customers attach importance to the service location. They perceive it as an evidence of the quality of service offered Therefore, service providers should choose a location that is easily accessible to customers, has a good infrastructure and the right atmosphere. For example, foreign banks and private banks in India today look entirely different from the old nationalized banks.

<u>Market research.</u>

Marketing research is a systematic method of finding solution to the marketing problems in the areas of product, pricing, promotion and distribution.

According to American Marketing Association, "Marketing research is systematic gathering, recording and analyzing of data about problems relating to marketing of goods and services."

Steps in Marketing Research Process

Formulating the Problem: Formulating a problem is the first step in the research process. In many ways, research starts with a problem that the management is facing. This problem needs to be understood, the cause diagnosed, and solutions developed. For instance, if the problem is ‘declining sales’, the firm should try to identify its cause from customers or sales staff. It may be due to poor quality, improper pricing, faulty promotion, poor after-sales service, etc. It provides information needed to solve the problem.

Determining Data Needs: The marketer should decide data needs and sources. Depending on the nature of the problem, primary or secondary data should be selected. Again, firm should decide on internal or external sources of data.

Preparation of the Research Design: Research design is an overall plan of the research investigation. It lays down structure within which research would be conducted. Research design involves the following elements:

(i) Areas of study
(ii) Sources of data
(iii) Techniques and tools for collecting and analyzing data
(iv) Time available for research
(v) Cost factor relating to study.

The preparation of such design facilitates research to be efficient with minimum time, effort and money.

Collection of Data: This is the most important step in the research process. In this step, researcher collects information to solve a research problem. Data can be primary or secondary.

- Primary data is firsthand information. Primary data can be collected through experiments, surveys, observation, interview, or questionnaires.
- Secondary data is in the form of various published sources such as journals, magazines, reports, etc.
- The researcher should select appropriate method of data collection keeping in mind objective and scope of inquiry, finance and time available and nature of study.

Organization/Processing of Data: The collected data is available in a raw form and needs to be processed. This processing involves classification, coding, editing and tabulation. This process is known as organizing. Such organization of data makes it ready for analysis.

Data Analysis and Interpretation: Data analysis involves application of different statistical tools such as percentages, coefficients on organized data. This enables a researcher to establish relation between the problem and the information.

Analysis refers to conclusions arrived at from research findings. It involves generalization of research findings.

The Research Report: The research process concludes with the research report. This report will include all of your information, including an accurate description of your research process, the results, conclusions, and recommended courses of action. The report should provide all the information the decision-maker needs to understand the project.

Implementation of Findings: Researchers should submit research report to the management for implementation. Findings and recommendations of research report should be implemented to solve research problems.

<u>New Service Development Cycle</u>

Developing a new service includes the complete journey from generating the initial idea to bringing the service product to the market.

By setting out the steps involved, and sticking to them, your product development will become a more focused and flexible approach that can be adapted for all different types of products and services.

1. **Idea Generation:** The development of a new service will start with the generation of idea about

new service. Ideas can come from many different directions. Ideas can be generated through:

- Undertaking market research
- Listening to suggestions from target audience – including feedback on your current products' strengths and weaknesses
- Encouraging suggestions from employees and partners
- Looking at competitors' successes and failures.

2. **Idea Screening:** This step is crucial to ensure that unsuitable ideas, for whatever reason, are rejected as soon as possible. Ideas need to be considered objectively, ideally by a group or committee. Specific screening criteria like return on investment, affordability and market potential of the idea needs to be considered. Proper answers to above criteria help in avoiding product failure.
3. **Concept Development and Testing:** In case of new service development, concept testing means formulating the basic product definition and then presenting the same to consumers with descriptions to get their reactions. Along with clear definition of the concept, description of the service representing its specific features and characteristics are produced to the customers and employees to determine their response to the service. For instance, a bank may intend to offer insurance policy to their customers. Bank can explain the types and benefits of policies orally to their customers to find out their reactions. These reactions will help to understand the following things:
   - Do they understand the concept?
   - Do they want or need it?

This stage gives you a chance to develop the concept further, consider their feedback, and also start thinking about what your marketing message will be.

4. **Business Analysis:** Once the concept has been tested and finalized, a firm should assess whether the new product/service will be profitable. This should include a detailed marketing strategy, highlighting the target market, product positioning and the marketing mix that will be used.

This analysis needs to include: whether there is a demand for the product, a full appraisal of the costs, competition and identification of a break-even point.

5. **Service Development:** If the new service is approved in analysis stage, it will be passed to the technical and marketing development stage. This means the firm investigates exact design and specifications. It develops value-added service attributes that brings customer satisfaction. At this stage, concept is refined after considering inputs from customers, employees and other stakeholders and service blueprint is developed. Blueprint describes service in terms of people, process and physical evidence.
6. **Test Marketing:** At this stage, before launching the service on large scale, it is launched in a limited market area to a small group of customers for a limited period at a special price. This stage aims to obtain customer feedback.
7. **Commercialization:** If the test marketing results are favorable, final decisions needs to be made to move the product to its launch into the market. At this stage, the service goes live and introduced to the marketplace. Pricing and marketing plans need to be finalized and the sales teams and distributors are briefed, so that the service and company is ready for the launch. Proper promotion mix should be adopted to create product awareness.

8. **Post-production Evaluation:** At this stage, the information gathered during the commercialization stage is reviewed and changes are made in the delivery process, staffing, marketing mix variables, etc. on the basis of the market response to the offerings.

Managing Demand and Capacity

Service, being intangible and perishable, cannot be produced in anticipation of demand and cannot be stocked. These features of service creates problem of managing demand and capacity in case of demand fluctuations. Demand fluctuations, in relation to supply capacity, results in three possible outcomes:

1. Excess demand (lower capacity)
2. Balance between demand and capacity
3. Excess capacity (lower demand)

There are two general approaches for accomplishing demand and capacity.

A. To smooth the demand fluctuations themselves by shifting demand to match existing supply.
B. To adjust capacity to match fluctuations in demand.

A. Shifting Demand to Match Capacity

By shifting demand and capacity, an organization seeks to shift customers away from periods in which demand exceeds capacity. Perhaps by convincing them to use the service during periods of slow demand.

During periods of slow demand, the organization seeks to attract more and/or different customers to utilize its productive capacity. Firm can use a variety of approaches listed below to increase demand to match capacity.

1. **Vary the Service Offering:** One approach is to change the nature of the service offering, depending on the season of the year, day of the week, or time of day. For instance, airlines can change the configuration of their plane seating to match the demand from different market segments. In some planes, there may be no first-class section at all. On routes with a large demand for first-class seating, a significant proportion of seats may be placed in first class. Movie theaters are sometimes rented during weekdays by business groups. It is an example of varying the service offering during a period of low demand.
2. **Communicate with Customers:** Another approach for shifting demand and capacity is to communicate with the customers. It helps them know the times of peak demand so that they can choose to use the service at alternative times and avoid crowding or delays. For example, signs in banks and post offices which let customers know their busiest hours and busiest days of the week can serve as a warning. This allows customers to shift their demand to another time if possible. In addition to signage communicating peak demand times to customers, advertising and other forms of promotion can emphasize different service benefits during peak and slow periods.
3. **Modify Timing and Location of Service Delivery**: Some firms adjust their hours and days of service delivery to match customer demand. For instance, banks can operate for extended hours, especially till evening or may operate on weekends to cater to working customers. Theaters also accommodate customer schedules by offering matinees on weekends and holidays when people are free during the day for entertainment.
4. **Differentiate on Price:** A firm can offer services at discounted prices during slow demand of the service. This strategy relies on basic economics of supply and demand, *i.e.*, demand rises when price falls. Any hotel, airline and restaurant can offer discounts during off-season. But the goal is always to ensure the highest level of capacity utilization without sacrificing profits.

B. Adjust Capacity to Meet Demand

A second strategic approach to matching demand and capacity focuses on adjusting or flexing capacity. The idea here is to adjust, stretch and align capacity to match customer demand. During periods of peak demand, the organization seeks to stretch or expand its capacity as much as possible. During periods of slow demand, it tries to shrink the capacity so as not to waste resources.

(i) Stretch Existing Capacity

The existing capacity of service resources can often be expanded temporarily to match demand. In such cases, no new resources are added. Rather people, facilities, and equipment are asked to work harder and longer to meet demand.

1. **Stretch Time:** It may be possible to extend the hours of service temporarily to accommodate demand. For instance, retailers are open longer hours during the Diwali shopping season. And accountants have extended appointment hours (evenings and Saturdays) before tax deadlines.
2. **Stretch Labour:** In many service organizations, employees are asked to work longer and harder during periods of peak demand. For example, service personnel in banks, tourist attractions, restaurants and telecommunication companies are asked to serve more customers per hour during busy times.
3. **Stretch Facilities:** Theatres, restaurants and classrooms can sometimes be expanded temporarily by the addition of tables, chairs, or other equipment needed by customers. Again, extra coach can be added in a train during peak season.
4. **Stretch Equipment**: Computers, telephone lines and maintenance equipment can often be stretched beyond what would be considered the maximum capacity for short periods to accommodate peak demand.

(ii) Align Capacity with Demand Fluctuations

By adjusting service resources creatively, organizations can match capacity with customer demand patterns. Specific actions might include the following:

1. **Use Part-time Employees:** In this case, the organization’s labour resource is being aligned with demand. Retailers hire part-time employees during the holiday rush, tax accountants engage temporary help during tax season, and tourist resorts bring in extra workers during peak season and so on.
2. **Outsourcing:** Firms that find they have a temporary peak in demand for a service that they cannot perform themselves may choose to outsource the entire service. For example, firm can outsource some of its services like after-sales service (repairs and maintenance), especially when it is difficult to hire and train new staff for the same.
3. **Rent or Share Facilities or Equipment:** For some organizations, it is best to rent additional equipment or facilities during periods of peak demand. For example, express mail delivery services rent or lease trucks during the peak holiday delivery season. It would not make sense to buy trucks that would sit idle during the rest of the year.
4. **Schedule Downtime during Periods of Low Demand:** If people, equipment, and facilities are being used at maximum capacity during peak periods, then it is imperative to schedule repair, maintenance and renovations during off-peak periods. This ensures that the resources are in top condition when they are most needed. With regard to employees, this means that vacations and training are also scheduled during slow demand periods.

<u>Opportunities in service sector</u>

The services sector contributes significantly to the growth of the economy. It provides employment, generates foreign exchange and contributes to the GDP of a nation. In India and in several other countries the services sector offers great opportunities, which are due to the following reasons:

Liberalization of Policy: The Industrial Policy of 1991 has liberalized the Indian economy, including the services sector. The services sector is opened up to the private sector. For example, the banking, insurance, telecommunications, airlines, etc., have been privatized. Prior to 1991, these sectors were the monopoly of public sector. Due to privatization, there is good competition between the private sector and the public sector. The Competition has improved efficiency of the firms. Therefore, liberalization of the Indian economy has opened up opportunities for private parties in the services sector.

Growth in the Services Sector: The services sector is growing at a faster rate as compared to primary and the secondary sector. The growth in services sector provides good opportunities to the existing firms and to those who want to enter into the services sector. Currently the services growth rate is about 10% despite economic slowdown in the world.

India is the second fastest emerging country in the services growth, behind China. In some of the services sectors, the growth is very high. For instance, at present, the overall growth in the IT services is over 20% per year.

Increase in Earning Capacity: There is huge potential for growth in the services sector due to increase in disposable income, increasing urbanization, and growing middle class.

According to one study, India's middle class would increase to 267 million by 2015, and over 580 million by 2025, and further to 600+ million by 2030.

India's middle class is likely to overtake US, China and Europe in terms of consumption in the years to come. A study by H. Kharas - (The Emerging Middle Class in Developing Countries) indicates that by 2020 India is likely to get the third rank for consumption behind China, and USA and by 2030; India is likely to be the number 1 in terms of total consumption, followed by China and USA.

The study by H. Kharas indicates that by 2020 India would have 11% (US $3733 billion) of the global share in terms of consumption, and by 2030 India's share in global consumption would increase to 23% (US $ 12777 billion).

Foreign Direct Investment: The service sector is likely to gain considerably due to FDI inflows, which gives good opportunities for professionals to enter into the services sector.

The Government has allowed FDI even upto 100% in certain sectors. For instance, sectors like exports, consultancy, advertising, tourism, etc., FDI is allowed upto 100%. In sectors like private banking and telecom, FDI is allowed upto 74%.

Increase in Export Earnings: The services export sector provides good opportunities for entrepreneurs. This is because the services export sector is witnessing tremendous growth despite global slowdown in 2008- 09 and 2011-12.

The services export sector contributes about 35% of the total exports of India. For instance, in 2010-11 the merchandise exports were US $ 250 billion and services exports were US $ 133 billion. The services exports are growing at the rate of about 20% per year. Among the services exports, the software exports accounted for over 40% of the total services exports followed by business services, travel and transportation.

Population Growth: India is fastest growing in terms of population. At present, India is second largest in population terms after China. India is likely to take world Number 1 position in population by 2030. The growth in India's population would be a great opportunity for certain service sectors such as education, insurance, banking, retail and so on.

Free Trade Agreements: India is looking forward to conclude a pact with ASEAN nations for opening up trade in services and liberalization of investment norms in the near future. India has already signed FTA with ASEAN nations in the goods sector in 2009 and came into force since 2010.

The India-ASEAN free trade agreement in services will open up a host of business opportunities and projects, especially in construction for Indian business firms. Construction of bridges, canals, roads, water-treatment plants, construction of buildings would provide a good opportunity for Indian firms in the 10 ASEAN member nations (Malaysia, Philippines, Indonesia, Thailand, Singapore, Brunei, Laos, Cambodia, Vietnam, and Myanmar). Indian entrepreneurs in the telecom, consultancy, accounting, health, etc., would also get opportunity once the free trade agreement is finalized in the near future.

India is also in negotiations to sign free trade agreements in goods and services with European Union (27 nations) and also with Australia. Once, the free trade agreements are finalized and come into operation, Indian entrepreneurs would have good opportunities in such countries.

Growing Professionalism: India is growing pool of competent professionals. Various management institutes are grooming up professionals in the field of banking, insurance, hospitality, logistics, media, and so on. The availability of competent professional has a strong effect on the growth of services sector in India. Therefore, Indian entrepreneurs would have good opportunities in the service sector in the years to come.

CHALLENGES IN SERVICE SECTOR:

The services sector is facing a number of challenges mainly on account the unique characteristics. Some of the challenges are as follows:

Intangibility: The intangibility characteristic of services creates certain challenges such as:

Demonstration of services is difficult.

Pre-purchase evaluation is not possible.

Inseparability: Services cannot be easily separated from the service provider. This characteristic of services creates certain problems such as:

Restricts geographical reach.

Physical presence of the customer and service provider is essential.

Inconsistency: Service performance may vary from one person to another within the same organization. This Characteristic of services creates certain problems such as lack of standardization and quality control.

Perishability: Services are highly perishable. Therefore, there is a mismatch between demand and supply. This characteristic of services poses certain challenges such as - Services cannot be kept in inventory.

Managing High Demand: At times, a service firm may get very high demand, especially during the peak timings. Therefore, there is need to manage demand and capacity.

Customer Retention: Service providers face the challenges of customer retention. Customers may switch over to the competitors. Therefore, a service firm needs to undertake customer satisfaction surveys, and make changes in marketing mix, including introduction of new and innovative services.

Managing Workforce Diversity: Diversity among employees is an asset because it brings to the organization a range of skills and talents. At the same time, individual differences pose a challenge to managers. Managers must be sensitive to individual differences and manage them effectively.

Employees' Retention: Nowadays, there is growing attrition among service sector employees, especially in software, advertising, consultancy, media, etc. Certain amount of employee turnover is good for the organization because it gives chances to talented outsiders to join the organization. However, frequent employee turnover is bad for the organization as it increases selection and training costs, and it also affects the performance of employees. Therefore, the service providers need to introduce certain measures to overcome the problem of employee retention.

2) INTRODUCTION TO RETAILING

The word ‘retail’ is derived from the French word ‘retailer’ which means to cut off a piece or to break bulk. A retailer is a dealer or a trader who sells gods in small quantities. A retailer links the producers and the Ultimate consumers and provides services to both. Lakhs of retailers are spread throughout the country. They form an important link in the distribution of goods.

David Gilbert has defined retail as “any business that directs its marketing efforts towards satisfying the final consumers based upon the organization of selling goods and services as a means of distribution.”

Organized retailing, in India, refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the publicly traded supermarkets, corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses.

Unorganized retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local corner shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

Organized Retailing and Unorganized Retailing.

	Organized Retailing	Unorganized Retiling
1. Meaning	Organized retiling refers to trading activates undertaken by licensed.	Unorganized retailing refers to the traditional formats of retail industry.
2.Market Share	Organized retailing is around 7% in India.	Unorganized retailing comprises around 93% of retail market.
3. Dominated by	Organized retailing is dominated by big retailers like malls, hyper markets, supermarkets etc.	Unorganized market is dominated by Mom and Pop Stores. Around 96% of retailers have ship area less than 500 square feet.
4.Product Type	They Mainly sell branded products.	They sell branded as well unbranded products.
5. Investment	Investment in organized retailing is huge.	Investment in unorganized retiling is less.
6. Area	Organized retailing is mainly in metro, tier II and tire III cities.	Unorganized retailing is spread throughout the country.
7. Scientific	Organized retailing involves scientific planning and execution. This ensures that the resources are utilized in an effective manner.	Unorganized retailing is unscientific in nature. Wastages can occur due to overstocking, stocking of non – saleable products etc.

8. Value	Organized retailing tries to provide more value to the customers by bringing operational efficiencies.	Unorganized retailing is basically an effort to reach customer without much effort to add to the value to goods and to the customers.

<u>TRENDS IN RETAILING.</u>

The trends in retailing are briefly stated as follows

1) High Growth Rate: According to the Global Retail Development Index (GRDI) 2012 of AT Kearney - India remains a high potential market with annual retail growth of 20 per cent expected over the next five years. The Indian retail industry is pegged at US$ 500 billion in 2012 and is expected to reach US$ 1.3 trillion by 2020. The NCAER, study based on its Market Information Survey of Households (MISH), has projected Indian retail industry to grow to about US $ 590 billion by 2011-12 and further to over US $ 1 trillion by 2016-17

2) Trends in Food and Grocery Business: Food and grocery stores account for the largest share of retail (about 3/4th of total retail business). In 2007, nearly 99 per cent of food and grocery market is in the unorganized sector. But this may change in the next few years as it is estimated that food and grocery revenue in the organized retailing market would multiply five times, taking the organized shares of the market to 30 per cent.

3) Share in GDP and Employment: Retail is India's second largest sector after agriculture, accounting for over 15 percent of the country's GDP and around 6 to 8 percent of employment. Retail in India is at the crossroads. It has emerged as one of the most dynamic and fast growing industries with several players entering the market. Heavy investments in this sector are taking place with the entry of corporate giants like Tatas, Birlas, Ambanis (Reliance), Rahejas, and others. Therefore, the future is promising; the market is growing, government policies are becoming more favourable and emerging technologies are facilitating operations. As such the share of retail share in India's GDP and employment is likely to go up. Retailing in India is gradually inching its way to becoming the next boom industry. The whole concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping.

4) Trends in FDI: On 14th September 2012, the government of India announced the opening of FDI in multi brand retail, (upto 51%) subject to approvals by individual states.. This decision has been welcomed by economists and the markets. However, this decision has caused protests in India especially by the opposition parties. On 20th September 2012, the Government of India formally notified the FDI reforms for single brand (100%) and multi brand retail (51%), thereby making it effective under Indian law.

5) Training to Retail Personnel: Prior to 2000, there was hardly any emphasis on training in the retail sector. With the entry of organized retailers, emphasis is placed on training and development of retail personnel. The need for specialized skills is increasingly felt in the areas of:

- ☐ Strategic management - strategizing, targeting and positioning, marketing and site selection, among others
- ☐ Merchandise management - Vendor selection, inventory management, pricing and so on
- ☐ Store management - Layout, display, customer relationship, inventory management, etc.
- ☐ Administrative Management - Human resources, finance, marketing and so

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With the need for specialized skill set, retailing has become a specialized area of knowledge and training. A number of training institutes have been set up in India.

6) Share of Organized Retail: The share of organized retail is likely to go up from the current 7% to about 25% of the total retail business by 2020. This is due to the increasing investment in organized retail by corporate, favourable government policies towards organized retailing, and at the same time closing of traditional retail outlets, especially in metros. Over the next few years, the share of the organized retail will go up mainly due to the following factors:

- ☐ Favourable government policies towards organized retailing.
- ☐ Consumer preference to shop in favourable environs of organized outlets.
- ☐ Increasing investment by the corporate in the retail sector.
- ☐ Availability of quality reality space in metros.

7) Increased Interest by Overseas Retailers: There is a growing interest of overseas retailers to set up retail outlets in India. For example:

- ☐ Wal-Mart has huge plans for retail business India. Wal-Mart, the world's largest retailer, and Bharti Enterprises have signed a Memorandum of Understanding (MoU) to explore business opportunities in the Indian retail industry.
- ☐ New York-based high-end fashion retailer Saks Fifth Avenue has tied up with realty major DLF Properties to set up shop in a mall in New Delhi.
- ☐ Tommy Hilfiger, retailer of apparels, has already set up stores in metros and planning for more such stores in the near future.

8) Technology in Retailing: There is a growing trend of the use of IT in retailing business. Computerization is increasingly used in almost all operations in the organized sector, such as billing, inventory management, accounting, and so on. It is technology that will help the organized retailer score over the unorganized players, giving both cost and service advantages.

GROWTH OF ORGANIZED RETAILING IN INDIA:

Factors Responsible For Growth Of Organized Retailing In India.

1) Rapidly growing middle class consumers: In India, there is a rapid growth in the number of middle class consumers. These consumers seek value added products at decent prices and convenience in shopping. Modern retailers offer a wide range of products, good ambience, value added services etc. to such consumers. Hence they prefer to buy their requirements from modern retail outlets such as supermarkets, shopping malls, hypermarkets etc.

2) Rising Incomes: Over the past decade, India's middle and high income population has grown at a rapid pace of over 10% per annum. Such a growth has taken place not only in cities and towns but also in rural areas. As a result, there is an increase in the demand for better quality consumer goods.

3) Media explosion: There has been an explosion in media. Due to satellite television and Internet, Indian consumers are exposed to the lifestyles of more affluent countries. This has increased their aspiration levels and expectations. They now demand more choice, value for money, service and convenience.

4) Increase in nuclear families: Indian society is undergoing lots of changes. There is a rise in number of nuclear families, especially in urban areas., It is common to see the entire family going for shopping together. They look out for shopping places which have the right mix of shopping, eating joints and entertainment. Shopping malls provide all these facilities under one roof. Hence their popularity is increasing day by day.

5) Increase in number of working women: The urban women today are literate, professionally qualified and working. They have to maintain the right balance between home and work. Such consumers do not have much leisure time and want everything under one roof. Further they look for speed and efficiency. Modern retail outlets, which offer one-stop shopping, are therefore becoming popular.

6) Value for money: Organized retail outlets deal in volumes. As a result they are able to enjoy economies of scale in production and distribution. Further they eliminate wholesalers in the distribution process. As a result they can offer products at competitive rates. For instance, Big Bazaar, offers products at cheaper prices.

7) Emerging rural market: The rural market in India is fast emerging as a retail consumption area. The rural consumers are now more aware. The rural middle class is steadily increasing. Thus due to huge potential in rural retailing, organized retailers have developing new products and marketing strategies to serve rural consumers.

8) Entry of the corporate sector: Large business houses like the Tatas, ITC, RPG group, Reliance, the Piramals, the Birlas, Rahejas etc. have entered the retail sector in a big way. They are in a position to provide quality products at competitive rates, promotional offers, quality salespeople, entertainment, etc.

9) Entry of Foreign retailers: The retail sector in India has drawn the interest of many global retailers. Due to liberalization policies adopted by the government, many multinational companies have entered our country through joint ventures, franchising or even self-owned stores. Further, the government has allowed up to 51% FDI in 'single brand' retail. This will further boost organized retailing.

10) Technological Impact: Technology is one of the dynamic factors that has affected the retailing industry. Computerization of various operations in a retail store, use of bar coding, MIS, Electronic Article Surveillance System, closed circuit televisions etc., have changed the face of retailing.
Debit cards, credit cards, smart cards etc., have made shopping easier for consumers. Technology has further facilitated online shopping and tele-shopping. In short, emerging technologies have given a momentum to organized retailing.

SURVIVAL STRATEGIES FOR UNORGANISED RETAILING:

1) Right Positioning: The effectiveness of the retailer's communication of the offering to the target customers determines how well the retailer gets positioned in their minds. At this stage, the communication has to be more of relative nature. This implies that the message conveyed to the target customers must be effective enough in differentiating the retailer's offering from that of the malls without even naming them.

2) Effective Visual Communication: Retailer has to place more emphasis on visual display, merchandising, lighting, signage and specialized props. The visual communication strategy might be planned and also be brand positioned. Theme or lifestyle displays using stylized mannequins and props, which are based on a season or an event, are used to promote collections and have to change to keep touch with the trend. The merchandise presentation ought to be very creative and displays are often on non-standard fixtures and forms to generate interest and add on attitude to the merchandise.

3) Strong Supply Chain: Critical components of supply chain planning applications can help manufacturers meet retailers' service levels and maintain profit margins. Retailer has to develop innovative solution for managing the supply chain problems. Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning, production planning, lean systems and staff should help retailers to get advantage over competitors.

4) Changing the Perception: Retailers benefit only if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products sold in malls. Retailer has to provide more assortments for private level brands to compete with organized retailing. New product development, aggressive retail mix as well as everyday low pricing strategy can be the strategy to get edge over competitors' brand.

5) Electronic Cash Register (ECR): ECR is a commonly used for billing by most retailers. An entry-level billing system can also generate 11 types of stock reports; ECR is best suited for small retailers. It speeds up the billing process and saves customers' time.

6) Pleasant Experience: The customer touch-points which involve the interaction of a customer with a store need to be properly managed. These involve the interactions before he reaches the store, while at the store and after leaving the store. Positive experience at the retail outlet will bring back the consumer again & again.

7) People and Physical Evidence: Since a retail store is an integral part of the service industry, the people they employ and their physical evidence should be such that the customer comes often. It shouldn't look like that the customer is buying from the road. If he goes to a store, it should look at least like a store so improve the ambience at retail outlet.

8) Loyalty programme: A loyalty programme is something which can attract a customer again and again to a store. It encourages a customer to spend more to buy more. More loyalty programme should be introduced by retail outlets.

9) Customization: Customization on the basis of their demographics and psychographics is becoming the name of the game as all these retailers have databases of loyal customers. Customization makes consumer feel important as the product or service is tailored to suit individual expectation.

RETAIL FORMAT

STORE FORMATS

There are various stores based retail formats that operate in India:

1) Shopping Malls: They are the largest form of organized retailing today. They are located mainly in metro cities, in proximity to urban outskirts ranging from 60,000 sq. ft. to 7,00,000 sq. ft. and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include, Inorbit, Hyper City, Prime Mall and so on.

2) Specialty Stores: Chains such as the Bangalore based Kids Kemp, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

3) Discount Stores: As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non perishable goods.

4) Department Stores: These are large retail store offering a variety of services and merchandise organized in separate departments and occupies prominent positions in the heart of town or as anchor stores in out-of-town malls. Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft.) across India and even has its own in store brand for clothes called Stop!.

5) Hypermarts / Supermarkets: Hyper mart is a store that combines a supermarket and a department store. It is a gigantic retail facility that carries a big range of products under one roof, including fresh groceries and apparel. When planned, constructed and executed correctly,' hyper mart caters to routine weekly shopping needs in one trip. Example: Big Bazaar.

6) Convenience Stores: These are relatively small stores with an area of 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.

7) Multi Brand Outlets: MBOs, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros. For example in electronics - Vijay Sales.

8) Independent retailer: An independent retailer is one who owns and operates only one retail outlet. The owner of the shop is assisted by a few local staff or family members. Many independent stores are passed on from one generation to the other. Stores like the baniya, kirana store and panwala are examples of independent retailers. The independent retailer often has a direct rapport with most of his customers.

9) A chain retailer: When two or more outlets are under a common ownership it is called a retail chain. These stores offer similarity in products, ambience, advertising, promotions etc. Examples in India include Louis Phillipe, Van Heusen, Globas, Planet M, Arrow etc.

10) Franchise: A franchise is a contractual agreement between the franchiser and the franchisee, which allows the franchisee to conduct business under an established name and as per a particular business format. In return, the franchisee has to pay a fee or compensation to the franchisor. For instance, Pizza Hut, NUT, Mc Donald's, Domino's, Baskin Robins etc.

11) Leased departments: These are also termed as 'shop-in- shops.' When a section of a department in a retail store is rented to an outside party, it is called a leased department. In India, many large department stores operate their perfumes and cosmetics counters in this manner.

12) Consumer Co – Operative: A Consumer co – operative is a retail organization owned by its member customers. Their objective is to provide commodities at a reasonable price. Examples of co – operatives in India are Sahakari Bhandar, Apna Bazaar, Kendriya Bhandar etc.

<u>NON-STORE FORMATS</u>

Non-store retailing is a form of retailing in which sales are made to consumers without using stores. While only 10% of retail sales are made through non-store channels, sales in non-store formats are growing faster than store sales.

The various types of non-store formats include:

1) Automatic Vending Machines: Vending Machine retailing is a non- store format in which goods or merchandise are stored in a machine and dispensed to customers when they deposit cash or use a credit card. The automatic vending machines are mostly found in developed countries like USA, UK, Japan, etc. However, nowadays, they have made in roads in developing countries like India as well. Initially, impulse goods with high convenience value such as cigarettes, soft drinks, candy, newspapers, and hot beverages were offered. However, a wide array of products such as hosiery, cosmetics, food snacks, postage stamps, paperback books, record albums, camera film, etc., are now available through machines, especially in developed countries. Vending machines can expand a firm's market by reaching to customers where and when they cannot come to a store.

2) Electronic Retailing: Electronic retailing is a retail format in which the retailer and customer communicate with each other through an interactive electronic network. Alter an electronic dialogue between the retailer and customer, the customer can order merchandise directly through the interactive network or by telephone and the merchandise is typically delivered to the customer's home. Payment can be made with the help of credit card or debit card or cash on delivery. The main benefits to the customer include lower costs because the electronic retailer generally sells the goods at discounted prices. The main disadvantage is that the customer cannot examine the goods before placing the order.

3) Direct Selling: The direct selling involves direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their workplace. Direct selling is distinct from direct marketing because it is about individual sales agents dealing directly with clients. Direct marketing is about business organizations seeking a relationship with their customers without going through an agent or retail outlet. Direct selling often uses multi-level marketing (salesperson is paid for selling and for sales made by people he recruits or sponsors) rather than single-level marketing (salesperson is paid only for the sales he makes by himself).

4) Direct Marketing: In direct marketing, the marketing is done directly to the customers without the help of an agent. There is no intermediary involved. Direct marketing involves:

(a) Mail Order Retailing - The order from the customers is received through the mail, and accordingly the goods are delivered to the customer and the payment is collected. However, Indian customers hardly place orders through the mail.

(b) Television Shopping - Details about the products such as features, uses, price, and guarantee/warranty are explained on the television network. Phones numbers are provided to order. If the buyer is convinced, the buyer places the order and accordingly the goods are delivered at buyer's address and payment is collected.

STORE PLANNING-STORE DESIGN AND LAYOUT

Store planning involves location of the store, store design and layout, the type of merchandise to display and sell, etc. Store planning goes beyond the process of building the structure of the store; it is a process which involves every aspect of designing the store. The store must be planned from the view point of the customers who would patronize the store.

Guidelines for Store Planning (Design and Layout)

1) Location: A store's location should always be a part of store planning. The store should be preferably in a prime location which is easily accessible to the customers. Avoid locating the store at a secluded place. The store's decor and merchandise should also reflect the store's location. It is always advisable to locate the store at a place where there are other similar stores.There are chances that the customers who are loyal to neighbourhood stores may visit your store as well, especially, when they may not find their product hoice in the store which they regularly visit. Also, the ambience of your store may attract them to your store.

2) Signage: The signage displaying the name and logo of the store must be inserted at a place where it is visible even from a distance. The signage may be placed at different sides of the store, especially, when the store has different sides facing the road/ street. Too much information must be avoided.

3) Colour: The store must have the right colour on the walls both external and internal. Generally dark shades may be avoided. Preferably, light and subtle shades may be used. The colour sets the mood of the store, which in turn influences the mood of the customer shopping in the store.

4) Entrance and Exit: There must be proper entrance and exit. In small stores, the entrance and exit is normally one and the same. In large stores, there must be an emergency exit. Do not stock anything at the entrance or exit of the store.

5) Flooring and Ceiling: The store need to have decent floor tiling, and the ceiling must be properly done. The floor and the ceiling must be kept clean. Stains must be avoided on the floor and on the ceilings. In some stores, carpets may be laid.

6) Fixtures: Fixtures must be installed properly in the retail store. Fixtures inside the store should have an aesthetic look and must be able to store and display the store's merchandise. Customers may focus not only the merchandise but also on the fixtures of the store. The fixtures should enable to display the products to their fullest extent, and should provide easy access for customers. The shelves should not be too high and the racks should not be too full.

7) Lighting and Music: The store should be adequately lighted so that the products are easily visible to the customers. Also, light music may be played at the store. Loud music must be avoided. During festival season, good lighting effect needs to be created within and outside the store.

8) Arrangement of Merchandise: The merchandise must be well arranged and organized on the racks. The shelves must carry necessary labels which would enable the customers to locate the products. Avoid overloading in the racks. Products should be grouped logically. For example, in a readymade garments shop, the gents clothing may be stocked at one place and the ladies wear must be stocked at another place. Also, kids' wear may be displayed separately. In a grocery store, cereals and breakfast food could be in one aisle. Bread and biscuits should be near the payment counter.

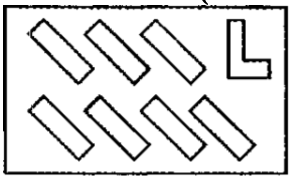
9) Fragrance: The store may use light fragrance. Avoid bad odour inside the store, as it may drive away the customers and the store would lose sales.

<u>TYPES OF FLOOR LAYOUT:</u>

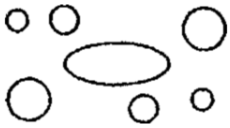
The layout of the store should be easy to move and should lead the customers to the merchandise with ease. There are various forms of floor plans:

1) Straight Floor Plan - Where the merchandise in shelves/ racks is arranged in a straight line, which you normally comes across in most of the store. The straight floor plan provides enough space for the customers to move and shop freely.

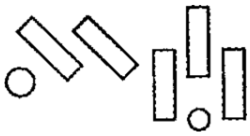
2) Diagonal Floor Plan - The shelves/racks are kept diagonal to each other for the manager to have a watch on the customers. The diagonal floor plan enables the customers to move freely to select the merchandise.



3) Angular Floor Plan - The fixtures and at times even the walls are given a curved look. It gives a stylish look to the store. Such layouts are often seen in high end stores, or malls, where premium Scotch whisky or wine bottles are displayed. It can be also used in case of garments as well.



4) Mixed Floor Plan - It is a combination of straight, diagonal, and angular floor space. Shopping malls may adopt this type of floor plan.



RETAIL SCENARIO

Retail scenario in India

Indian retail sector has been growing rapidly with various factor effecting to its rise. The few vital factors would be the increase in digitization, purchasing power of consumers, urbanization and rapidly changing lifestyle of the consumers.

Improvement in the consumption pattern: A sharp rise and improvement in the consumption pattern of Indians has been noted that has resulted in the retail sector grow and the sector is expected to record a growth of $1.3 trillion by 2020. There is a positive impact seen in the section of organized retail. At present the organized retail penetration is 7 percent and it's expected to reach 10 percent .Also the organized retail market is also going to grow and reach the level of 19 percent which is currently at the level of 9 percent, according to reports published.

Penetration of bigger brands: When closely observed, it's seen that there has been a great penetration of the bigger brands in smaller cities and people of India are able to enjoy the top MNC brands that previously were not in their reach. This can be directly linked to the increase in purchasing power of consumers. Superior customers experience has noted elevated intensity and the consumers are looking up to goods that a decade ago was not a part of their lifestyle.

Foreign Brands: In years there have been many foreign brands which have understood the Indian market and have established firmly in the Indian market. They continue to flourish as the consumers are buying their products. This is a very good & positive sign which shows the changes occurring in retail industry.

FDI: Foreign Direct Investment is another vital reason for increasing consumerism. With the liberalization of FDI, there will be a hike in investments pumped in by major companies. With this we can also see a positive change in the lifestyle of consumers. The taste and preferences of consumers in India has been changing. And this is bringing India, at par with the consumption pattern of the developed nations. Changes in Government policy have attracted many international giants to look for a favorable chance of prosperity in Indian retail market.

Relaxation in government norms: The ease in government norms regarding FDI has made India relish & enjoy the consumption pattern that is being followed across developed nations. Goods and Services Tax (GST) is another major step that has been taken in terms of retailing. This has impacted & given a boost to the foreign brands and they are keen in investing into Indian market. When there is one single framework applicable to a huge variety of investment procedure then the foreign brands are highly keen in making a penetration. Present scenario of Indian retail industry is the replica of the same.

From unorganized retail there has been a transition to the organized retail that has streamlined the process. With this we can predict that the Indian retail industry is heading steadily towards a new era.

Retail Scenario in Global Context

The US$ 9 trillion Retail industry is one of the world's largest industries and still growing. 47 of the Global Fortune 500 companies & 25 of Asia's Top 200 companies are retailers.

Even as the developing countries are making rapid strides in this industry, organized Retail is currently dominated by the developed countries with the USA, EU & Japan constituting 80% of world. Retail is a significant contributor to the overall economic activity the world over: the total Retail share in the World GDP is 27% while in the USA it accounts for 22% of the GDP. The share of organized Retail in the developing markets ranges between 20% to 55%.

Traditionally, local players tend to dominate in their home markets. Wal-Mart, the world's leading retailer, has about 8% of the US$ 2,350 billion market in the USA. Similarly, Tesco has a market share of about 13% in the US$ 406 billion UK market. The main value propositions that most large retailers use a are a combination of low price, 'all-under-one-roof' convenience and 'neighborhood' availability.

India has emerged as the most attractive retail market three years in a row. The Indian Retail industry is a US$ 270 billion industry and is growing at over 13% per annum. Only about 4.6 %(US$12.42 billion) of the industry is organized. If this share increases to 10% by 2011, the size of organized retailing could touch US$ 55 billion – a CAGR of over 35%.

Prospects and Challenges in India

The retail sector in India has bright prospects due to the following reasons:

1. Growth of middle class consumers: In India the number of middle class consumer is growing rapidly. With rising consumer demand and greater disposable income has given opportunity of retail industry to grow and prosper. They expect quality products at decent prices. Modern retailers offer a wide range of products and value added services to the customers. Hence this has resulted into growth of organised retailing in India. Growing consumerism would be a key driver for organized retail in India. Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence (meeting) of consumer tastes.

2. Increase in the number of working women: Today the urban women are literate and qualified.

They have to maintain a balance between home and work. The purchasing habit of the working women is different from the home maker. They do not have sufficient time for leisure and they expect everything under one roof. They prefer one-stop shopping Modern retail outlets therefore offers one store retailing.

3. Value for money: Organised retail deals in high volume and are able to enjoy economies of large scale production and distribution. They eliminate intermediaries in distribution channel. Organised retailers offer quality products at reasonable prices. Example: Big Bazaar and Subhiksha. Opportunity for profit attracts more and more new business groups for entering in to this sector.

4. Emerging rural market: Today the rural market in India is facing stiff competition in retail sector also. The rural market in India is fast emerging as the rural consumers are becoming quality conscious. Thus due to huge potential in rural retailing organised retailers are developing new products and strategies to satisfy and serve rural customers. In India, Retail industry is proving the country's largest source of employment after agriculture, which has the deepest penetration into rural India.

5. Entry of corporate sector: Large business tycoons such as Tata's, Birla's, and Reliance etc. have entered the retail sector. They are in a position to provide quality products and entertainment. As the corporate – the Piramals, the Tatas, the Rahejas, ITC, S.Kumar's, RPG Enterprises, and mega retailers- Crosswords, Shopper's Stop, and Pantaloons race to revolutionize the retailing sector.

6. Entry of foreign retailers: Indian retail sector is catching the interest of foreign retailers. Due to liberalisation multinationals have entered out country through joint ventures and franchising. This further is responsible for boosting the retail sector.

7. Technological impact: Technology is one of the dynamic factors responsible for the growth of retailing. Introduction of computerization, electronic media and marketing information system have changed the face of retailing. Retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services. One of the major technological innovations in organised retailing has been the introduction of Bar Codes. With the increasing use of technology and innovation retailers are selling their products online with the help of Internet.

8. Rise in income: Increase in the literacy level has resulted into growth of income among the population. Such growth has taken place not only in the cities but also in towns and remote areas. As a result the increase in income has led to increase in demand for better quality consumer goods. Rising income levels and education have contributed to the evolution of new retail structure. Today, people are willing to try new things and look different, which has increased spending habits among consumer.

9. Media explosion: There has been an explosion in media due to satellite television and internet. Indian consumers are exposed to the lifestyle of countries. Their expectations for quality products have risen and they are demanding more choice and money value services and conveniences.

10. Rise of consumerism: With the emergence of consumerism, the retailer faces a more knowledgeable and demanding consumer. As the business exist to satisfy consumer needs, the growing consumer expectation has forced the retail organizations to change their format of retail trade. Consumer demand, convenience, comfort, time, location etc. are the important factors for the prospects of retailing in India.

Challenges faced by the Indian Retail Industry

International Standards: Even though India has well over 5 million retail outlets of different sizes and styles, it still has a long way to go before it can truly have a retail industry at par with International standards. This is where Indian companies and International brands have a huge role to play.

Inefficient supply chain management: Indian retailing is still dominated by the unorganized sector and there is still a lack of efficient supply chain management. India must concentrate on improving the supply chain management, which in turn would bring down inventory cost, which can then be passed on to the consumer in the form of low pricing.

Lack of Retail space: Most of the retail outlets in India have outlets that are less than 500 square feet in area. This is very small by International Standards.

Cultural Diversity: India's huge size and socio economic and cultural diversity means there is no established model or consumption pattern throughout the country. Manufacturers and retailers will have to devise strategies for different sectors and segments which by itself would be challenging. Real estate issues: The enormous growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace. With over 1,000 hypermarkets and 3,000 supermarkets projected to come up by 2011, India will need additional retail space of 700,000,000 sq ft (65,000,000 m2) as compared to today.

Human resource problems: Trained manpower shortage is a challenge facing the organized retail sector in India. The Indian retailers have difficultly in finding trained person and also have to pay more in order to retain them. This again brings down the Indian retailers profit levels.

Frauds in Retail: It is one of the primary challenges the companies would have to face. Frauds, including vendor frauds, thefts, shoplifting and inaccuracy in supervision and administration are the challenges that are difficult to handle. This is so even after the use of security techniques, such as CCTVs and POS systems. As the size of the sector would increase, this would increase the number of thefts, frauds and discrepancies in the system.

Challenges with Infrastructure and Logistics: The lack of proper infrastructure and distribution channels in the country results in inefficient processes. This is a major hindrance for retailers as a non-efficient distribution channel is very difficult to handle and can result in huge losses. Infrastructure does not have a strong base in India. Urbanization and globalization are compelling companies to develop infrastructure facilities. Transportation, including railway systems, has to be more efficient. Highways have to meet global standards. Airport capacities and power supply have to be enhanced. Warehouse facilities and timely distribution are other areas of challenge. To fully utilize India's potential in retail sector, these major obstacles have to be removed.

MALL MANAGEMENT:

Mall management is defined as an overall operation and maintenance of the entire building infrastructure, including the services and utilities, ensuring that they are used in a way that are consistent with the purpose for which it was acquired.

Mall management encompasses operations, facilities management, security, accounts, common area maintenance, marketing, leasing and all the other functions even remotely related to a mall. The biggest problem in this industry is finding the right kind of tenants, while leasing out space to tenants, it is important to keep in mind the image mat you want to create in the customer’s mind.

In the past, several malls were constructed without doing any feasibility study or rigorous market research. Though initially they were successful in attracting people but soon went out of competition because they failed to convert visitors into potential buyers. The simple reason was ‘failure in understanding local needs’.

As somebody rightly said one should dance as per the audience liking, same is applicable in mall management. It seems surprising, how mall developers can spend millions of rupees without due diligence exercise on their feasibility. But the new generation mall developers are well educated and experienced. They are developing malls gradually but with proper research and consultation of the experts concerned. Therefore, the market is gradually changing wherein more and more developers are approaching property consulting firms to conduct feasibility and positioning studies for their projects.

Components of Mall Management:

Mall management is a growing phenomenon in the Indian industry. The Indian retail market is expected to continue its growth trajectory in coming years also. Mall management has been identified as a critical factor for the success of malls and the retail industry across the world.

Broadly, mall management includes the following:
1. Positioning
2. Zoning
3. Promotions and Marketing
4. Facility Management
5. Financing

1. Positioning a Mall:

It refers to defining the category of services offered by a mall. Generally mall positioning is determined after a detailed survey of households in the area where mall is going to be located. This survey includes demographics, psychographics, income levels and competition in the area. It also includes the location of the mall which is determined by the access, visibility etc.

The primary objective of positioning is to create a distinguish image of a mall among consumers. It forms the basis for differentiating a mall from its competitors. Positioning assists in creating a distinctive image and 'top of mind' recall for the masses when they think of a mall. For example, when a customer thinks of purchasing a handicam or digital cameras, the Soni or Canon brands come to top of his mind.

Similarly when a person decides to buy a pair of contact lenses, name of 'Renu' brand comes to his mind. This is a separate aspect that at the time of final purchase, he/she adheres to that particular brand or not.

Basically final buying decisions are influenced by both the brand appeal and social status of the person.

The objectives of positioning a mall/product are:
1. To create sense of recognition
2. To promote loyalty
3. To enhance image
4. To enhance goodwill
5. To improve image of quality
6. To beat competitors
7. To attract customers
8. To maintain and attract good sales staff

Broadly, malls can be positioned in two different ways.
a. On the basis of offerings
b. On the basis of anchors

The detailed description about both the forms is discussed as below:

(a) On the basis of offerings:

As the very name suggests, these malls are positioned primarily on the basis of its offerings which should be reflected throughout its retail mix.

Offerings further can be classified under several notions such as:

(i) Luxury: Under this type of positioning, a mall is positioned, advertised and marketed as 'Luxury Malls' where selections of tenants is exclusively done under the luxury class of their vertical. Local and small players though financially sound are discarded under this particular form of positioning. For example, Sony, Lenovo, Apple fall under the luxury segment within the consumer electronics vertical. Similarly, Monte Carlo, Raymond, Peter England, Levi's are luxury within the apparels verticals.

(ii) Value for Money: Value for money style positioning conveys the message to public that their malls are neither expensive nor economical. They offer value for money. This offering is not depicted by one or more outlet but entire mall would represent the same ‘value for money’ image.

(iii) Economy: Under this style of positioning, mall owners convey the message that their mall is for those people who are money-conscious and looking for affordable goods and services. Economy class malls usually are full of customers especially on weekends. Impulse buying is more in case of economy malls because first time or occasional visitors are more attracted towards cheap range goods.

(b) On the basis of anchors:
Under this type of positioning, malls are positioned on the basis of anchors, mall developers decide to have.

These are classified as under:
(i) Entertainment based: The main theme of such mall is to offer entertainment and all possible means of enjoyment. Entertainment is offered in the form of movie theaters, swanky rides, waterfalls, gaming zones, scary houses, ice-rings, buzzy jumping, Kids play stations, Racing Cars, Video Games, interactive Kiosks, and so on.

(ii) Hypermarket/Value Driven: One of the most common and widely apparent features of a successful mall is the presence of hypermarket. The primary reason for having hypermarket in a mall is to increase footfalls and conversion rate. History reveals that few malls which initially had no or very less occupancy rate, became consumers' first choice after the presence of hypermarkets. In short, under this type of positioning, malls are positioned on the basis of hypermarket or value driven concept.

(iii) Specialty Based: Under this concept of positioning, malls are positioned according to the specialty stores in the mall. Specialty stores imply the message that most of the stores specialize in one particular segment of the vertical such as consumer electronics, jewellery stores, book stores, home furniture stores, and so on. This type of positioned malls conveys the message that they offer all the national and international brands under that category.

The positioned malls usually keep their offerings same for the entire life span of the mall. Though new stores, new brands can come and go but offered concept remains the same. Therefore, utmost care must be taken while setting up the mall and deciding about the positioning. Positioning is an irreversible decision and repositioning.

2. Zoning:
In the world of retailing, customers can be broadly divided into two categories namely focused buyers and impulse buyers. Focused buyers are those buyers who know what their requirements are and how to fulfill them. Therefore, they go to mall with the intention of buying and carry proper money.

If everything remains same and things are as per their requirements, taste, and budget, they do not waste time and buy the things. In case, they find things costly or opposite of their expectations, usually they leave the mall and come back. While on the other hand, impulse buyers are those buyers who visit the mall with no intention of buying but if something, appeals them, they buy otherwise indulge into window shopping. Both types of customers are important for a retail store.

But question is how retailers should entertain them and increase revenues. Zoning is the solution of this problem that allows retailers help attract both types of consumers. Zoning is a mall space allocation exercises under which mall developers basically formulate right tenant mix to attract both types of customers especially the impulse buyers.

Zoning refers to the division of mall space into various zones for the placement of various retailers. A mall is dependent on the success of its tenants, which translates to the financial feasibility of the tenant in the mall. Creating the right tenant mix not only helps in attracting and retaining shoppers by offering them multiple choices and satisfying multiple needs, but also facilitates the smooth movement of shoppers within the mall, avoiding unnecessary clusters and bottlenecks. In the era of competition, zoning (sectors) exercise, if done properly helps in building a separate image in the minds of the visitors. This also helps influence shoppers' mall preference and frequency of visits, which is critical considering the robust upcoming supply of malls.

Advantages of Zoning:

(i) Allows the smooth movement of shoppers in the mall, avoiding clusters and bottlenecks.
(ii) Creates a distinct image in the minds of the customers.
(iii) Assists in formulating the right tenant mix and the placement of these tenants within the mall.
(iv) Helps in the selection of right anchor tenant.
(v) Helps retailers attract both types of consumers, especially the impulse buyers.

The Great India Place Mall (GIP) is one of the biggest malls of North India, located in Noida, National Capital Region of Delhi. The GIP is a contemporary, vivid retail arcade for absolute shopping ecstasy. Planned with a dream palace theme, it has a unique ambience where shoppers cannot resist indulging and discovering a superlative experience of shopping.

The retail environment with its prime location near Sector 18, right at the entrance of Noida, is spread over I million sq ft. It offers its shoppers an unmatched shopping cum entertainment environment with a gamut of retail stores, well- heeled food joints and a multiplex, all under one roof The retail environment includes six anchor stores encompassing departmental stores like – Lifestyle, Globus, Shopper's Stop, Pantaloon, a hypermarket – Big Bazaar and a home-style store – Home Town.

Though after GIP, several other malls have come in the nearby locality, yet The Great India Place Mall continues to command the highest foot traffic, continuing to be one of the most successful malls in the city in terms of annual revenues. It is also widely believed that one of the driving factors behind the success of this mall is its zoning and superior tenant mix compared to competition.

3. Promotions and Marketing:

Promotional events that help promote brands are an essential part of mall management. Some of the most effective promotional models include celebrity visits, food festivals and talk shows, which increase footfalls and, as a result, increased revenues. Organizing cultural, national, and religious celebrations have also proved useful. Considering, mall developers can plan out marketing strategies for individual malls in order that match the requirements of local consumers and addressing the challenges of local or regional competitors.

Malls are also indulged in promotional activities and events. Considering the local rituals, preferences and latest trend, each mall prepares a Marketing Calendar.

The common examples of promotions and events organized in India involve:
(i) Fashion Shows
(ii) Exhibitions
(iii) Book Fairs
(iv) Travel Fairs
(v) Musical Contests
(vi) Auditions
(vii) Talk Shows
(viii) Sidewalk Sales

Besides this, each mall celebrates various national and international days which are famous among common youth. Public holidays, long weekends, religious holidays, educational breaks, are also considered while preparing a Marketing Calendar.

Advantages of Promotions and Events:

(i) Optimum utilization of mall space
(ii) To create new source of avenues for mall retailers

(iii) To attract new customers
(iv) To beat competition

Ansal Plaza, a part of HUDCO Place built on 35 acres of land, is a shopping complex situated near South Extension, one of the posh markets in New Delhi. The Plaza complex competes with the best commercial estates in the world in its architectural splendor, aesthetic details and shopping experience. It provides comfort and variety to the customers. One of the finest malls in India today, has made shopping much more enjoyable than before.

It offers a climate-controlled environment that removes the fatigue usually associated with shopping. Careful employment of modern technology has created well-lighted, spacious and customer-friendly shopping spaces. Complete with an amphitheater, a shopping complex, twin level parking and best of the brands under one roof, it offers a complete family experience.

4. Facility Management:
It refers to the integration of people, place, process and technology in a building. Facility management companies provide specialized services to malls ranging from parking, security, to housekeeping and cash management. Facility Management handle electro mechanical services like and suppression and fire detection, access control, power management, water management plumbing, Supply Chain, Marketing Research, Logistics and Design etc.

In addition to this they also offer business services like help desk management, guest relations, and meeting room management. Few of facility management companies also provide soft services like pest control, cleaning, and physical and security surveillance, concierge services, and administration services. There are few other expert functions that facility management companies are also taking up. These include conducting research for malls to find out their requirements regarding issues such as;

(a) Site location problem
(b) What kind of mall to set up?
(c) Determining the customer patterns
(d) Segmenting, Targeting, and Positioning (STP)

Under facility management various activities are classified as follows:
(i) Infrastructure Management:
It refers to the overall supervision and administration of various facilities provided to tenants, risk management measures such as adopting essential safety measures, conducting asset liability and environmental audits as well as imparting emergency and evacuation training.

Under infrastructure management following facilities are offered:
(i) Air conditioning,
(ii) Provision of adequate power supply,
(iii) Safety issues related of signage,
(iv) Issues related to signage, water supply, sanitation, etc
(v) Water supplying and sanitation

All the above mentioned facilities provided to the tenants within the mall, form an integral part of mall management as these are considered the basic amenities that nay tenant would look for in a mall.

(ii) Ambience Management:
This aspect refers to the management of the overall aesthetics and appearance of a mall.

Under ambience management, following provisions/facilities are made:
(i) Management of parks
(ii) Management of fountains,

(iii) Taking care of staircases
(iv) Overall look of lifts and escalators
(v) Music and overall look of the mall.

(iii) Traffic Management:

Traffic management basically includes managing foot traffic into the mall and parking areas. Foot traffic management involves crowd management inside the operational area of a mall. The flow of people is related to the design of the mall and the spatial distribution of its tenants. Under traffic management, facilities are offered to malls pertain to the effective managing of crowds, both within the premises and in the parking zone.

Until very recently, most Indian developers thought that mall management is merely another name for facilities management. The realization that these two concepts are different and that professional mall management has immense bearing on the long-term viability and success of a mall is gradually being accepted.

The significance of traffic management is increasing rapidly and demanded by one and all because of the simple reason that the flow of people is related to the design of the mall and the spatial distribution of its tenants.

For example, take a case of star-shaped mall which though attractive but will have a crowding in the centre of the mall, as everyone has to pass through the central area while moving from one side to the other. Circular malls on the other hand, may not face such problem of clogging as they usually tend to have better pedestrian flow and less congestion. Therefore, utmost precaution must be taken care of while planning about the design of the mall.

These are:

(i) Managing foot traffic
(ii) Parking management
(iii) Better pedestrian flow
(iv) Event management in and outside the malls

5. Finance Management:

Financial Management is concerned with the acquisition, financing, and management of assets with some overall goal in mind. Financial Management entails planning for the future for a person or a business enterprise to ensure a positive cash flow. It includes the administration and maintenance of financial assets. Besides, financial management covers the process of identifying and managing risk.

Under finance management function, facilities management companies cover the following activities:
(i) Accounting system to track the debt and invoices,
(ii) Cash receipts and collection of income
(iii) Organizing resources to deliver an efficient and effective annual audit.

<u>RETAIL FRANCHISING:</u>

“A franchise operation is a contractual relationship between the franchisor and franchisee in which the franchisor offers or is obliged to maintain a continuing interest in the business of the franchisee in such areas as know-how and training; wherein the franchisee operates under a common trade name, format and/or procedure owned or controlled by the franchisor, and in which the franchisee has or will make a substantial capital investment in his business from his own resources.”

-Franchising is more than distributorship
-Extends to an entire operation or method of business
-Greater assistance, control and longer duration
-Distributor merely re-sells products to retailers or customers

Features of Franchise:

(i) Franchise relationship is based on an agreement; which lays down terms and conditions of this relationship.

(ii) The term of franchise may be for 5 years or more; and the franchise agreement may be renewed with the mutual consent of both the parties.

(iii) The franchisee gives an undertaking not to carry on other competing business during the term of the franchise; and the franchiser gives an undertaking not to terminate the franchise agreement before its expiry except under situations which may justify the termination of the franchise agreement.

(iv) The franchisee agrees to pay specified royalty to the franchiser, as per terms of the franchise agreement.

(v) Franchise means selling the same product and maintaining a similar type of shop decor (i.e. style of interior decoration); for which franchiser provides assistance to franchisee in organising, merchandising and management. The franchiser virtually sets up the business for the franchisee.

(vi) Franchisee is supposed to follow parent company’s policies regarding mode of business operations, as per clauses in the franchise agreement.

(vii) Franchiser may give training to personnel working in the franchisee’s organization.

Merits of Franchise:

From the Viewpoint of the Franchiser:

(i) Expansion of Business: The franchiser is able to expand his business, and gain wider acceptance of his brand name or trademark, because of franchise agreement. The franchiser can enter into foreign markets also and enhance his goodwill and business.

(ii) Regular Income: The franchiser receives a regular income by way of royalty from the franchisee at no extra cost; as cost of new premises and extra staff is borne by the franchisee.

(iii) Economical Advertising: Advertising done by the franchiser benefits the franchisee also. Thus, under franchise, advertising proves very economical, in the long-run.

(iv) Advantage of Market Feedback: The franchiser gets market feedback about product popularity, needs, preference of local customers from the franchisees.

From the Viewpoint of the Franchisee:

(i) Little Investment Needed: The franchisee can start business with lesser investment than would be required had he to start an independent business of his own.

(ii) Advantage of Goodwill to Franchisee: Franchisee gets the immense advantage of the goodwill created by the franchiser. Higher success rate is found in cases of franchise; as the franchisee averts the risk of starting a new business of his own and gets an income higher than possible from his own independent business.

(iii) Management Assistance etc.: The Franchiser provides may types of assistance to franchisee like:

(a) Store lay-out guidance
(b)Training to personnel
(c) Marketing support
(d)Financial assistance etc.

(iv) Advantage of research and development:

The parent company makes huge investment in research, innovations etc.; the advantage of which goes to franchisee in the normal course of functioning of business.

THAKUR COLLEGE OF SCIENCE AND COMMERCE
DEPARTMENT OF COMMERCE
FYBCOM COMMERCE-II (SEMESTER-II)

FDI IN RETAILING

FDI in retail in India has always been a contentious issue. The government has been progressively liberalizing the retail sector in India for foreign direct investment. The latest major move came in 2012 when 100% FDI was allowed in single-brand retail.

FDI in retail – Advantages and Benefits

Growth in the economy – when foreign companies come in, new infrastructure will be built. Sectors like real estate and banking will see growth. Also, MNCs will pay a lot of taxes to the Indian government which again can be used to build infrastructure.

Employment generation – FDI in retail will create a lot of jobs in the organised retail sector.

The benefit to farmers – It will benefit farmers and producers by procuring produce from them directly and thus, cutting down on intermediaries. The farmers' margins will improve. In the unorganised sector, there is a huge wastage, running to the tune of 40% in the case of vegetables and fruits. Big retail chains can reduce this wastage by investing in supply chains and adequate storage facilities. Foreign companies can bring in better technology, management best practices and more learnings for Indian players.

Push to productivity – currently, Indian production in agriculture and food is very low. FDI in retail will give a much-needed fillip to infrastructure in agriculture and farming practices.

Benefits for consumers – FDI in retail implies low prices and better and more variety of products for consumers to choose from. They will also get access to international brands.

Induce competition – it will induce competition in the market benefitting both consumers and producers.

CAREERS IN RETAILING

In the Information, Communication & Entertainment (ICE) age shopping has become a hobby for the new generation. The whole concept of shopping has altered with time, in terms of format and consumer buying behaviour. Thanks to rapid urbanization and sprawling shopping malls, Multi formats of retail stores and huge complexes that have emerged at an ever increasing speed in every upcoming city, retailing has grown into one of the largest sectors in the global economy.

Retail Industry, one of the fastest changing and vibrant industries in the world, has contributed to the economic growth of many countries. The term 'retail' is derived from the French word retailer which means 'to cut a piece off' or 'to break bulk'. Retailing is a vital part of the business industry that involves selling products and services to consumers for their individual or family use. Retailing can also be defined as the timely delivery of goods demanded by consumers at an affordable and competitive price. It is a vertical and people-oriented business industry. Retail business in India boomed in the 80's and within a short span of time, Indian retail sector has been rated as the fifth most attractive, emerging retail market in the world.
Indian retail sector which account for over 10 percent of the country's GDP (gross domestic product) and around eight percent of employment, is expected to grow at a compound rate of 30 per cent over the next five years.

Retailing process involves a direct interface with the customer and the coordination of business activities from the design stage of a product to its delivery and post-delivery service. Generally, retail business can be classified into several types depending on their size, shape, product lines, amount of service they offer and price they charge etc. Some among them are specialty stores, supermarket/ malls, factory outlets, franchises, chain stores, discount stores, lifestyle & personal products, furnishing household appliances & groceries stores etc.

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With the tremendous growth of economy, retail management has emerged as one of the fastest growing careers in India. The enormous expansion in the retail sector during the past few years has thrown up a big demand for skilled professionals in the field. It is an industry looking for people at all levels, from the school pass out with basic skills, to the well qualified supply chain and retail management professionals. One can take up a job depending on one's interest and aptitude, since retail industry is an array of activities starting from marketing to branding. This makes retail profession one of the most demanding careers of the era.

The working time and atmosphere all depends upon the company one works for. One could start his career as a management trainee, and with hard work and right attitude, could reach the manager posts of different departments. Advertising agencies, Airlines, insurance companies, banks etc are some other areas where one can find jobs, apart from retail shops. One can even start one's own business and be an entrepreneur.

Job prospects in Retail Sector are:

Customer Sales Associate: It is the entry-level post of retail business. But as every retail shop is completely dependent upon the sales they get, this is one of the important posts in this profession. To be a good sales person, one should have good knowledge about the products, the shop, the customers etc.

Department Manager / Floor Manager/ Category Manager - These are some of the posts one could handle in the store.

Store Manager: Store managers sometimes called General Manager or Store Director, are responsible for managing an individual store and its day-to-day functioning. The store manager is in charge of the employees of the store and he himself may report to a District or Area manager or the store's owner.

Retail Operation Manager: It is the duty of a retail manager to plan and coordinate the operations of the outlet. This involves the layout of merchandise, monitoring the retail orders and stock, analyzing the supply etc. Candidates with Master Degree can start off as retail managers.

Retail Buyers and Merchandisers: They are the persons who select and buy the goods for the retail shop. They should understand the needs of the customer, should be aware of the trends in the market, and should possess great enthusiasm and energy.

Visual Merchandisers: These people give the brand a face, so they hold one of the very important positions in the industry. Being a part of concept and design one could also be a technical designer, product developer and store planner.

Manager-Back-end Operations
Logistics and Warehouse Managers
Retail Communication Manager
Manager Private label Brands
Retail Marketing Executives:

Trained and talented retail management professionals are always in great demand not only in India but abroad also. Big brands have opened retail chains throughout the cities & rural areas that offers huge job openings. A professional with excellent communication skills and a flair for convincing people can be recruited as store managers, customer care executives, merchandise officers, public relations executive and so on, in a multinational company.

3) RECENT TRENDS IN SERVICE SECTOR

ITES SECTOR

ITES, Information Technology Enabled Service is defined as outsourcing of processes that can be enabled with information technology and covers diverse areas like finance, HR, administration, health care, telecommunication, manufacturing etc. An obvious advantage of BPO is the immediate cost savings (over 30 per cent) and yet a steadfast focus on high quality standards. This also allows the in-house team (of the overseas client) to focus their expertise on more value-added work while delegating the lower-end work to more cost-effective resources. For India, it is a new job creator. It is estimated that the total number of jobs created so far as a result of outsourcing, primarily call centre operations, is about 180,000. Of these, the U.S. and the U.K. together have a share of over 86 per cent One estimate places the KPO jobs alone at over a quarter of a million by then. At the same time, companies abroad are skeptical about outsourcing high-end services for varied reasons such as data security, quality and professionalism in a remote location, political and regulatory climate. Collaborative approach clearly, this is an evolutionary process and certain roadblocks that exist need to be taken care of. Companies need to adopt a collaborative approach to tackle such issues. For instance, Scope has addressed these issues by adopting a relationship-based model. In this model, concerns on quality and timeliness have been addressed by Scope through a process of pilots and phased transfer of work. Technology — hardware and software — is world class. International certifications such as ISO and BS7799 also help. Likewise, Service Level Agreements that are mutually fair have been put in place. What helps the India case is the ready access to a large intellectual pool with expertise in areas such as research and analysis, not to mention reasonable English language skills (that need honing) and strong domain expertise. But finally, it is the management that plays a vital role in enabling the smooth operationalisation of such remote knowledge partnerships. There is tremendous potential in the KPO space. Only companies that have a strong pedigree, domain expertise, clear focus on the high-end space, a proactive solution orientation and a collaborative mindset will emerge as the winners.

BPO

BPO is an acronym that stands for business process outsourcing. Put simply, it is the practice of hiring another company to perform a process that your own business needs to operate. In other words, you’re using a third-party to handle non-primary business activities for your company.

Companies choose to outsource when they decide that another, more specialized company can handle a business task better than they can in-house. In many cases, companies find that outsourcing is more efficient than if they were to staff and pay a department within their company to handle business processing.

There are quite a few different tasks you can choose to outsource. These include accounts payable, customer/call center relations, document management, human resources (HR), payroll, and social media marketing.

EXAMPLE

Let’s look at an example of business process outsourcing in action. Payroll is one task that is routinely handled with BPO. It’s also one of the most common tasks that every business needs to perform.

Instead of paying to staff and operate an entire payroll department, you can choose to outsource to a company that specializes in managing payroll. Suppose, for example, your company specialized in making children's toys. Instead of taking time away from your core business process to manage payroll in-house, you could outsource payroll responsibilities to another company.

By outsourcing, you can save money, resources, and valuable production time. Your company gets to focus on your specialty (making toys) while taking advantage of the outsourcing company's specialty (streamlining core business processes for other companies).

Advantages of BPO

1. Productivity improvement: BPO enables to the corporate executive to concentrate upon core business areas. Conventionally executives spend more time in management of details and they get very little time to formulate strategies. BPO saves time and helps the executives to explore new revenue areas, accelerate other projects and focus on their customers. This leads to improvement in the productivity. Better educated or skilled people perform the task efficiently and thus improve productivity.

2. Optimum utilisation of the resources: BPO enables optimum utilisation of resources of scarce resources. Outsourcing helps to capture new efficiencies and reallocate the resources. This increases the efficiency and productivity. Availability of skilled employees and adoption of sophisticated technologies leads to utilisation of resources and productivity.

3. Reduction in cost: Cost savings can be significant to any business. BPO not only helps in reducing cost but also increase productivity and raise revenue significantly. Cost reduction is possible through process improvements, reengineering, and use of technologies that reduce and bring administrative and other costs under control. Outsourcing helps the company maintain lower rates with better service solutions, thereby giving them a better market position and even a competitive advantage.

4. Improved Human Resource: Improved HR is another great advantage of outsourcing business processes. Cost effective manpower is yet another important factor of importance in BPO. Companies today, require productive and efficient human resource that can generate economies of scale. Due to outsourcing business can save Human resource cost, depending on their priorities. Outsourcing gives a company the ability to get access to skilled and trained man power at extremely low rates

5. Focus on core business areas: Efficient business strategy is essential to take the business to the top. Outsourcing enables the top management level to hand over critical but non-core activities of the business to the third party. This facilitates top management level to concentrate on the core activities.

6. Cater to changing customer demands:
It is another great advantage of outsourcing the business processes. Many BPOs provide the management with flexible services to meet the customers' changing requirements, and to support company acquisitions, consolidations, and joint ventures.

7. Sophisticated technology at lower cost: Technology is the leading area of outsourcing. It makes much of the work of modern organisation easy. Investing in new technology is very costly and often risky. As the technology market develops rapidly, it is difficult to keep pace with the latest innovations and solutions. Thus outsourcing to companies that have the resources, expertise and desire to continuously update their technological solutions, offers a true advantage of outsourcing.

Disadvantages of BPO

1. You Lose Some Control : As you might expect, when you farm work out to external agencies or freelancers, you're losing control of how those tasks are being monitored and performed. So long as you know and trust who you've hired, that shouldn't be a huge issue – but you've got to tread carefully.

2. There are Hidden Costs: Although outsourcing work is generally considered cheaper, yo must also beware of getting ripped off. Outsourcing companies or big agencies will typically ask small business owners to sign lengthy contractual agreements, and they'll include plenty of fine print. If you don't read the terms carefully, you could get hit with unexpected costs.

3. There are Security Risks: In this age of data protection, it's essential that you exercise caution whenever using customer data. If you plan to outsource processes that require personal data, you could be placing the privacy of others or security of your business at risk by passing that data on to other people.

4. You Reduce Quality Control: Outsourcing companies and some freelancers may often be motivated by profit rather than a job well done. That means the work you send out may come back quickly, but will lack the standard and quality that customers have come to expect from your products or services.

5. You Share Financial Burdens: Although it can be nice to bring in expert agencies to share in risks, it can be pretty dangerous to tie your business to the financial well-being of another company. Again, you've got to spell out any and all terms and conditions in contractual arrangements plainly – because you don't want to take a financial hit if they fail to deliver.

6. You Risk Public Backlash: If you're taking work overseas (even just to write a blog or two), your business very well may run into ill will from consumers that have taken a moral stance against outsourcing. Right or wrong, for better or for worse, some form of criticism is often inevitable.

7. You Shift Time Frames: One major disadvantage of outsourcing particular tasks is the risk that your freelancers or partner agency may be marching to the beat of a different drum. As a result, it might be difficult to synchronize schedules in order to ensure your customers receive what's promised to them on a reliable timeline.

8. You Can Lose Your Focus: Because many outsourcing agencies or freelancers tend to service multiple clients at any given time, the work you're sending out may not be receiving the focus it deserves. Depending on the processes you're outsourcing, that lack of focus could be detrimental to your small business.

9. Things Get Lost in Translation: It doesn't matter whether you're dealing with overseas freelancers or some talented expert just up the street – but if you're handing out remote work via email or telephone, important instructions are often lost in translation. That could cause you serious time, money and hassle.

10. You May Face Moral Dilemmas: While it may not be an issue for everyone, a major disadvantage of outsourcing is that you may be denying your team or a talented local agency crucial work or development opportunities. Growth begets growth, and by outsourcing work, you may not be contributing to the growth of your community.

KPO

KPO stands for knowledge process outsourcing. It refers to the outsourcing of highly skilled personnel for transfer or assign of knowledge plus process related to the process to another company. Company hires other outsourcing company which can fulfill the requirement of a company it can be in the same country or overseas main intention behind this to minimize the cost of the company. It performs a task where high skill is required with depth knowledge, expertise and interpretation power.

Objectives/Benefits of KPO

- To reduce the cost of operations by delegating the non – core activities to a third – party service provider.

- To put the resources available with the organization to better use thereby increasing its profitability.
- To avail the specialized services of the third – party service provider.

- To enable the organization to focus exclusively on core services.
- To strengthen strategic business relationship with a number of organizations. This can ensure consistently economical service for a long period of time.
- TO free management from day – to – day operations
- To increase flexibility to meet changing business conditions.

BPO	**KPO**
FULL FORM	
Business Process Outsourcing	Knowledge Process Outsourcing
DEFINITION	
BPO can be defined as the outsourcing of non-primary activities to third part service provider for service to decrease cost of company and increase productivity and efficiency of company	KPO refer to the outsourcing of high skilled personnel for transfer or assign of knowledge plus process related to process to another company
BASED ON	
Rules	Judgment
DEGREE OF COMPLEXITY	
BPO is less complex	KPO is highly complex
REQUIREMENT	
It need process expertise	It needs knowledge expertise
DRIVING FORCE	
Volume driven	Insights driven
COORDINATION AND COLLABORATION	
Low	High
TALENT REQURIED	
Good communication skills	Professional qualification
FOCUS ON	
Low level process	High level process
SERVICES	
Human Resources , Customer Care , Technical Support , Technical Solutions , Finance and Accounting Services , Website Services	Investment Research Activities , Market Research Activities ,Data Analytics , Business Research Services , Legal Process Outsourcing

LPO

Legal outsourcing, also known as Legal Process Outsourcing (LPO) refers to the practice of a law firm or corporation obtaining legal support services from an outside law firm or legal support services company (LPO provider). When the LPO provider is based in another country the practice is called off shoring and involves the practice of outsourcing any activity except those where personal presence or contact is required e.g. appearances in court and face-to-face negotiations. When the LPO provider is based in the same country the practice of outsourcing includes agency work and other services requiring a physical presence such as court appearances. This process is one of the incidents of the larger movement towards outsourcing. The most commonly offered services have been agency work, document review, legal research and writing, drafting of pleadings and briefs, and patent services. The concept of legal process outsourcing is based on the division of labour principle, prevalent in law firms, where various time consuming and onerous processes like due diligence are delegated to paralegals, document reviewers or interns. This allows the firm to address the various legal issues that arise on a daily basis while being able to streamline productivity. The process involves a contract, with due consideration, between both firms. The following are the various methods by which the process could be initiated: Direct Contract – This is the most straight forward means of establishing contact. The firm needing legal services directly approaches the legal process outsourcing vendor.

Managed Outsourcing – This is a case where the firm establishes contact with a legal process outsourcing vendor and retains a traditional law firm to coordinate the vendor's activities and to ensure quality control.

Required Outsourcing – This form of outsourcing occurs when the firm mandates a certain level of outsourcing in the legal process, either to reduce costs or to fulfill statutory requirements.

Multi-sourcing – This involves segregating the work assigned to LPO providers in order to reduce risk and take advantage of each provider's strengths. This approach is helpful in cases where expertise is required on matters of jurisdiction and merits having more than one provider “on deck” also allow a service recipient to obtain more favorable pricing. On the other hand, multi-sourcing can be more complicated than other approaches. Successfully managing multiple, competing providers requires strong and effective governance procedures.

ERP

Enterprise Resource Planning (ERP) systems integrate internal and external management information across an entire organization embracing finance/accounting, manufacturing, sales and service, customer relationship management, etc. ERP systems automate this activity with an integrated software application. The purpose of ERP is to facilitate the flow of information between all business functions inside the boundaries of the organization and manage the connections to outside stakeholders. ERP systems can run on a variety of computer hardware and network configurations, typically employing a database as a repository for information

Origin of "ERP"

In 1990 Gartner Group first employed the acronym ERP as an extension of material requirements planning (MRP), later manufacturing resource planning and computer-integrated manufacturing. Without supplanting these terms, ERP came to represent a larger whole, reflecting the evolution of application integration beyond manufacturing. Not all ERP packages were developed from a manufacturing core. Vendors variously began with accounting, maintenance and human resources. By the mid– 1990s ERP systems addressed all core functions of an enterprise. Beyond corporations, governments and non–profit organizations also began to employ ERP systems.

Expansion

ERP systems experienced rapid growth in the 1990s because the year 2000 problem and introduction of the Euro disrupted legacy systems. Many companies took this opportunity to replace such systems with ERP. ERP systems initially focused on automating back office functions that did not directly affect customers and the general public. Front office functions such as customer relationship management (CRM) dealt directly with customers, or e– business systems such as e–commerce, e–government, e–telecom, and e–finance, or supplier relationship management (SRM) became integrated later, when the Internet simplified communicating with external parties

Characteristics

ERP (Enterprise Resource Planning) systems typically include the following characteristics:

- An integrated system that operates in real time (or next to real time), without relying on periodic updates.

- A common database, which supports all applications.
- A consistent look and feel throughout each module.
- Installation of the system without elaborate application/data integration by the Information Technology (IT) department.

Advantages

The fundamental advantage of ERP is that integrating myriad businesses processes save time And expense. Management can make decisions faster, and with fewer errors. Data becomes visible across the organization. Tasks that benefit from this integration include:

* Sales forecasting, which allows inventory optimization.
* Chronological history of every transaction through relevant data compilation in every area of operation.
* Order tracking, from acceptance through fulfillment
* Revenue tracking, from invoice through cash receipt
* Matching purchase orders (what was ordered), inventory receipts (what arrived), and costing (what the vendor invoiced)
* ERP can greatly improve the quality and efficiency of a business. By keeping a company's internal business process running smoothly, ERP can lead to better outputs that benefit the company such as customer service, and manufacturing.
* ERP provides support to upper level management to provide them with critical decision making information. This decision support allows the upper level management to make managerial choices that enhance the business down the road.
* ERP also creates a more agile company that can better adapt to situations and changes. ERP makes the company more flexible and less rigidly structured in an effort to allow the different parts of an organization to become more cohesive, in turn, enhancing the business both internally and externally.

Disadvantages

* Customization is problematic.
* Re-engineering business processes to fit the ERP system may damage competitiveness or divert focus from other critical activities
* ERP can cost more than less integrated or less comprehensive solutions.
* High ERP switching costs can increase the ERP vendor's negotiating power, which can result in higher support, maintenance, and upgrade expenses.
* Overcoming resistance to sharing sensitive information between departments can divert management attention.
* Integration of truly independent businesses can create unnecessary dependencies.
* Extensive training requirements take resources from daily operations.
* Due to ERP's architecture (OLTP, On-Line Transaction Processing) ERP systems are not well suited for production planning and supply chain management (SCM)
* Harmonization of ERP systems can be a mammoth task (especially for big companies) and requires a lot of time, planning and money.

<u>Banking and Insurance Sector</u>

The Banking and Insurance sector in India has always been the most preferred avenues of employment. In the current decade the Banking sector has emerged as a resurgent sector in the Indian economy Today, banks have diversified their activities and are getting into new products and services that include opportunities in ATM card, Debit card, credit cards, Internet banking, consumer finance, wealth management, life and general insurance, investment banking, mutual funds, pension fund regulation, stock broking services, custodian services, private equity, etc. Further, most of the leading Indian banks are going global, setting up offices in foreign countries, by themselves or through their subsidiaries.

Liberal policies, Government support and huge development in other economic segments have made the Indian banking industry more progressive and inclusive with regard to global banking standards. A well developed and evolved insurance sector is a boon for economic development of a country.

The penetration is quite less in India as against its peers and hence, the Indian insurance market provides ample opportunities to domestic and international players to harness the profitable avenues in the same. India tops all the countries in terms of life insurance density, according to the World Economic Forums' Financial Development Report 2012. The banking and insurance industry is challenged by competitive pressures, changes in customer loyalty, stringent regulatory environment and entry of new players, all of which are pressuring the organizations to adopt new business models, streamline operations and improve processes.

Automatic Teller Machine (ATM)

An Automatic Teller Machine (ATM), is a computerized Telecommunications device that provides the clients of a financial institution with access to Financial transactions in a public space without the need for a cashier.ATM is computerized Machine that enables a bank's customers to access their account for withdrawing cash, and to carry out other financial and non-financial transactions without visiting the bank's branch. All banks have introduced the ATM facility. Banks provide on-site and off-site ATM facility to their customers. It is to be noted that the total number of ATMs of public sector banks is quite higher as compared to new private sector banks and foreign banks in India.

Procedure of ATM transactions

For transacting at an ATM, the customer inserts or swipes the card in the ATM and enters personal identification number (PIN) issued by the bank. The PIN is the numeric password which is provided to the customer by the bank while issuing the card.

Features of ATM:

1) Services: The ATM provides various facilities to the bank's customers:

* Account balance information
* Transfer of funds from one account to another.
* Cash withdrawal
* Cash deposit
* Mini bank statement of bank transactions.

2) Multipurpose: The ATM card of one bank can be used at any bank ATM within India under the Shared Payment Network System. For instance, a person holding Bank of Baroda ATM can withdraw the money from SBI ATM. The amounts are accordingly adjusted by the banks. The savings bank account holders can transact a maximum of five transactions free in a month at other bank's ATM. Beyond the five transactions, the customer can be charged by his/her bank.

3.Cash Withdrawal: Banks issuing ATM card impose withdrawal limits. The customer is informed of the withdrawal limit. Beyond the withdrawal limit, the customer cannot withdraw the cash.

4.Customer Support: Customers can complain the bank regarding deficiency in ATM services. For instance, if a customer is wrongly debited for amount which he has not withdrawn, he/ she can complain to the bank. As per RBI instructions banks have to resolve customer complaints by re-crediting the customer's account within 7 working days from the date of complaint. The customer can take recourse to the local Banking Ombudsman if the complaint is not resolved by his/her bank within the stipulated period.

Advantages of ATM:

1) 24 x 7 Banking Services: The customers can avail of 24 x 7 banking services. For instance, the introduction of ATMs has enabled the customers to obtain 24 x 7 banking services with reference to withdrawal of money, transfer of funds, etc. Customers no longer have to wait in queue to withdraw money nor they have to operate the services only during the banking hours. There fore, ATMs not only, provide quick service but also convenience to the customers.

2) Convenience to Customers: The ATMs has reduced the physical presence of customers in the bank during the banking hours. The customers need not wait in queue to withdraw cash from the bank. Due to ATM, there are fewer customers in the bank during the banking hours, and therefore, the customers that visit bank get quick service.

3)Travel without Cash: ATM facilitates withdrawal of cash from the bank account whenever and wherever a customer needs it. This means one can travel anywhere without cash. If the location has ATM, one can withdraw money with the help of ATM card. Therefore, an ATM card holder does not have the botheration to carry lots of cash during long distance travel, especially while on a holiday tour.

4) Good Quality Currency Notes: ATM withdrawals enable a customer to get good quality or fresh currency notes from the ATM machine. The customer may not get soiled notes from the ATM machine.

Debit Card

A debit card is a plastic card issued by a bank to its customers. With the help of debit card, a customer can make payment for goods and services, and the amount gets deducted from the bank balance of the bank's customer. Thus, a debit card can be used as an alternative payment method to cash when making purchases.

Features of Debit Card :

1) Easier to Obtain Debit Card: Obtaining a debit card is often easier than obtaining a credit card. For issuing credit card, the bank has to check the credit worthiness of the customer. In case of debit card, there is no need for such verification of credit worthiness.

2) Personal Identification not Required: Using a debit card instead of writing cheques saves you from showing identification or giving out personal information at the time of the purchase transaction at the payment counter of the merchant.

3) Cash-less Transactions: Using a debit card frees you from carrying cash or a cheque book. Using a debit card means you no longer have to carry travelers’ cheques or cash when you travel.

4) Easily Accepted by Merchants: Debit cards may be more readily accepted by merchants than cheques, especially in other states or countries wherever your card brand is accepted.

5) Threshold Limit: Use of debit card is not usually limited to the existing funds in the account to which it is linked. Most banks allow a certain threshold over the available bank balance, which can cause overdrawn amount lees.

6) Universal Usage: Like credit cards, debit cards also have universal usage. For instance, the international debit card issued by Bank of Baroda is accepted at over 32000 Visa Electron ATMs in India and 1 million ATMs worldwide. The card is also accepted at 3,50,000 merchant outlets in India and around 29 millions globally.

Advantages of Debit Card

1) Convenience in Payments: The debit card provides tremendous convenience in payments and helps the customers reduce the amount of cash they need to carry. Besides that customer always stays in control of his finances as he can spend only what he has in his account. It also gives an unparalleled access to his account, whenever he wants, wherever he goes.

2) No Interest / service Charges: in case of debit card, there is any interest charge and service charge. However in the case of credit cards, there are interest charges on the unpaid balances at the end of the month, and sometimes even service charges.

3) Suits to the Indian Psyche of Limited Expenditure: Generally, the debit cards suits the Indian psyche of limited expenditure. Most of the Indians do not want to spend lavishly. The debit card allows only limited payment, and that too upto the balance amount in the bank account. However, credit cards may encourage expenditure beyond the means of the customer, because under credit card, line of credit is offered by the bank to the customer.

4) Instant Withdrawal of Cash: Debit cards allow for instant withdrawal of cash, acting as the ATM card for withdrawing cash. Therefore, debit cards can enjoy all the advantages of ATM cards. Merchants (shopkeepers) may also offer cash- back facilities to customers, where a customer can withdraw cash along with thenpurchase.

5) Less Identification and Scrutiny by Merchants: Like credit cards, debit cards are accepted by merchants with less identification and scrutiny than personal checks, thereby making transactions quicker and hassle free.

6) Payment is not Dishonoured: Payment through the debit card is always honoured by the bank upto the balance of the account holder. Therefore, merchants accepting the debit cards do not have to bother about the honouring of payment. However, in the case of personal cheque, the payee may not get the payment due to dishonour of cheque.

Disadvantages of Debit Card

1) No grace period. Because funds immediately leave your account when you buy things, you can't borrow funds on credit. A credit card does. It leaves cash at your disposal until the end of your next billing period.

2) Checkbook balancing. With online banking a common thing these days, this is less of a disadvantage. Make sure to check your account to see how much money you have left.

3) Less protection than a credit card. You may be liable for up to a certain amount of fraudulent debit card transactions. Check with your bank to learn the details.

4) Fees. Using your debit card at an ATM not affiliated with your bank will cost you in fees. As opposed to a travel credit card, you may also be charged fees for foreign transactions abroad.

5) Doesn't improve your credit score. By building your credit score, you'll have access to lower interest rates when borrowing and increased credit limits. Your credit score is an important number that'll impact your life.

6) No reward points. By earning and taking advantage of credit card points, you can use credit card rewards to travel and spend on other purchases. Debit cards do not offer this type of incentives. Though, debit cards DO offer their own set of incentives, such as travel insurance, etc.

7) Merchant blocks. A hold may be put on your money to ensure you have enough money for a particular transaction. A common place where a hold is put on your money is at gas stations. The hold is generally released in a day or two after your transaction clears.

Credit Card

A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services. The issuer of the card creates a revolving account and grants a line of credit to the customer or user. The line of credit enables the user to make payment to a merchant.

Advantages of Credit Card

1) Convenience: The main benefit to credit card holder is convenience. Compared to debit cards and cheques, a credit card allows short term credit to customers who need not calculate the balance in her/her account before each transaction. However, the total amount to be paid to the merchant does not exceed the maximum credit line for the card.

2) Rewards: Many credit cards offer rewards and benefits package. For instance, credit cards can offer reward points which may be redeemed for cash, or for products. Users of credit cards can get special discounts which customers who make cash payment may not get, such as at petrol pumps for fuel, or at restaurants/hotels, booking of air tickets, etc.

3) Benefits to Merchants: For merchants, a credit card transaction is often secure than cheque payment. This is because; the issuing bank commits to pay the merchant the moment the transaction is authorized regardless of whether the customer defaults on the credit card payment.

4) Protection of Purchases: Credit cards may also offer you additional protection if something you have bought is lost, damaged, or stolen. Both your credit card statement (and the credit card company) can vouch for the fact that you have made a purchase if the original receipt is lost or stolen. In addition, some credit card companies offer insurance on large purchases.

5) Emergencies: Credit cards can also be useful in times of emergency. For instance, if there is an accident or breakdown of your car, and you need money to face emergency situation, the credit card may come to the rescue.

6) Universal Acceptance: Most of the credit cards are accepted internationally. This means, a holder of credit card can use it for make purchases within the country, as well as in international market subject to a certain limit.

Disadvantages of Credit Card

1) Overspending: Credit cards can be dangerous for individuals who are not good at budgeting. The temptation is very easy to overspend because you don't need to pay for your purchases upfront. Regardless of how much money is actually in your bank account, you can make purchases up to your maximum credit card limit. Somehow signing a piece of paper at the time of purchase doesn't always feel like you are actually spending money. This is exactly the mentality that the credit card companies want users to adopt. Especially the youngsters become compulsive buyers and tend to overspend because of the ease of using credit cards. Cards can encourage the purchasing of goods and services people do not need or cannot really afford.

2) High Interest Rates and Increased Debt: Credit card companies charge you an enormous amount of interest on each balance that you don't pay off at the end of each month. The interest rate on unpaid balance is about 20% p.a. This is how the credit card companies make their money and this is how most people in India and other countries get into debt and even bankruptcy.

3) Credit Card Fraud: Like cash, sometimes credit cards can be stolen. They may be physically stolen (if you lose your wallet) or someone may steal your credit card number (from a receipt, over the phone, or from a Web site) and use your card to rack up debts. The good news is that, unlike cash, if you realize your credit card or number has been stolen and you report it to your credit card company immediately, you will not be charged for any purchases that someone else has made.

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CREDIT CARD	DEBIT CARD

ed to funds borrowed from a ancial institution lps to establish good credit or prove credit rating crues interest if payments are t made on time fers the ability to earn rewards perks tied to spending eat for large purchases or vel	d to an individual's personal ecking account s no impact on credit score esn't typically offer rewards or entives for spending uires a pin for debit transactions clines purchases that exceed the ilable funds in the account, king overspending less of a lihood at for day-to-day purchases

Internet Banking

Internet banking is also called as online banking or ebanking. It allows customers of a bank to conduct banking transaction through a website operated by the bank.

Customer's Access to On-line Banking

To access bank's online banking facility, a customer must have personal internet facility. The customer must register with the bank for on-line banking. The bank allocates customer number and the customer must set up password. To access online banking, the customer needs to go the bank's website, enter the online banking facility using the customer number and password.

_Internet Banking Services

The internet banking services can be divided into two groups:

* Transactional services like hind transfer, payment of bill, investment relating to purchase or sale, loan application and transactions.

* Non-transactional services like stop payment of a cheque, obtaining online statements of banking transactions, ordering for a cheque book, viewing account balances, and so on.

Advantages of Internet Banking:

1. Convenience to Customers: Internet banking provides convenience to customers to undertake banking transactions. Customers can undertake banking transactions while at home, office, or even during traveling.

2. 24 x 7 Banking: Internet banking is available all the time, i.e., 24 x 7. One can undertake banking throughout the year at any time of the day or even at night. The only thing which one needs is internet facility and registration with the bank for on-line facility.

3. Monitoring the Account: Internet banking enables the customer to monitor the banking transactions at any time. This facility keeps the bank account safe. The customer can come to know of any fraud before it is too late. If fraud is noticed, the customer must immediately report to the bank.

4. Bill Payment: The bill payment in respect of electricity bill, house maintenance bill, mobile bill, etc., can be done efficiently with the help of on-line banking facility. Under standing instructions, a bank can directly make payment to the creditors. Due to efficient bill payment system, a customer need not wait in a queue to pay bills. Also, a customer need not keep receipts of all bill payments, as one can easily view all the payments through the net.

5. Endorsement of Bank's Products: Internet banking is also a great medium for the banks to endorse their products and services. The products/services include loans, investment options, etc.

6. Fast and Efficient: Online banking is very fast, effective and efficient. Over the Internet, you can make transactions that are typically executed and performed at a much faster pace than at ATM's. These services also give you the option of handling several different bank accounts from one site itself. Most online banking sites are compatible with programs like Microsoft Money and Quicken, which makes management of assets more effective.

Disadvantages

1. Technology Related Problems: Internet banking may be affected due to technology related problems. For instance, one cannot use internet facility, if the bank's server is down. There may be also loss of internet connectivity in between the transaction operations.

2. Initial Difficulty: Understanding the usage of internet banking might be difficult for a beginner at the first instance. There are some sites which offer a demo as to how to use internet banking facility. However, a person who is new to internet banking might face some difficulty at the beginning to operate the facility. Therefore, there is lack of adaptability to internet banking in India.

3. Need for Internet Connection: One cannot operate on-line banking transactions, when there is no internet facility. Therefore, those who do not have internet connection would not be able to take the advantage of on-line or internet banking.

4. Hacking: Security of transactions is a problem. Hackers may obtain account information of the bank's customers and hack the account. This means hackers may commit internet fraud and siphon off money from the customer's bank account

5. Password Security: For operating on-line banking, password is a must. The customer needs to memorize the password rather than recording it on diaries or somewhere else. There are chances that the password may be misused when someone gets to know it. This may create a loss to the customer.

6. Lack of Trust: The biggest problem is that most people lack trust. Quite often, a customer wonders whether or not he/she performed the on-line banking transaction properly. Of course, you can overcome any uneasiness by printing the transaction receipt. This receipt will-conform whether or not your transaction has gone through successfully.

Opening of Insurance Sector for Private Players

In 1991, when rapid changes took place in many parts of the Indian economy, nothing happened to the institutional structure of insurance: it remained a monopoly of the Government. In 1993, Malhotra Committee was set up headed by Mr. R. N. Malhotra (the then Governor of the Reserve Bank of India).. In 1994, Malhotra Comihittee recommended for the liberalization of the Indian insurance. sector. The Committee recommended that the insurance sector to be opened to the private-sector. Only in 1999, a new legislation came into effect signaling a change in the insurance industry structure. Therefore, in 1999 private insurance companies were allowed back into the business of insurance with a maximum of 26% FDI. In 1999, The IRA bill is renamed the Insurance Regulatory and Development Authority (IRDA) Bill which was cleared by the Govt. In 2000 IRDA Bill became an Act with the assent of the President of India.

Private Firms in the Indian Insurance Sector

The Indian Insurance Industry has undergone several changes in trends and policies in the year 2010. The $ 41 billion industry is considered the fifth largest life insurance market, and isgrowing at a rapid pace of 32-34% annually, according to the Life Insurance Council.

State-owned Life Insurance Corporation (LIC) of India has recorded about 37% growth in its new business premium to US$ 15.1 billion during April to January FY 2010, the data from IRDA stated. Overall, 23 life insurers in the country collectively mopped US$ 21.35 million as new first year premium during the period, a 26% increase from US$ 17 billion during April-January 2009-2010.

Out of this, the 22 private life insurers together accounted for US$ 6.26 billion worth of new business in April-January 2010-11, compared to US$ 5.91 billion in the year ago period, a growth of about 6%.

Among the private life insurance players, SBI Life saw its premium collections from new business grew by 9% to US$ 1.1 billion during the period, while ICICI Life's premium collections from new businesses grew to US$ 1.15 billion April-January 2010-11, from US$ 964 million during the same period last year.

<u>However only 0.2% of population covered</u>

Currently, in India only two million people (0.2% of the total population of 1 billion) are covered under Mediclaim, whereas in developed nations like USA about 75% of the total populations are covered under some insurance scheme. With more and more private companies in the sector, the situation may change soon.

India insurance is a flourishing industry, with several national and international players competing and growing at rapid rates. Thanks to reforms and the easing of policy regulations, the Indian insurance sector has been allowed to flourish, and as Indians become more familiar with different insurance products, this growth can only increase, with the period from 2010 - 2015 projected to be the 'Golden Age' for the Indian insurance industry.

1. HDFC Standard Life.

2. Tata-AIG General

3. BirlaSunLife

4. Bajaj-Allianz General

5. SBI Cardiff Life

6. ICICI-Lombard and so on.

<u>Reasons for Privatization of Insurance Sector</u>

1) To develop competition in the business of insurance and to make both the private and public sector to work efficiently in their insurance business.

2) To create more options on the side of customers to purchase the policies.

3) To attract more people towards the insurance business.

4) To earn foreign exchange from the non-resident Indian’s by getting them involved in assuring them.

5) To raise the capital investment of the people which can result in improving the economic development of the country.

6) To create more opportunities of employment in the insurance sector.

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Impact of FDI on Banking and Insurance Sector in India.

Foreign direct investment (FDI) is direct investment into production in a country by a company in another country, either by buying a company in the target country or by expanding operations of a existing business in that country.

Investment up to 74% in private banks

"The Indian government brought into effect liberalized norms for foreign direct investment (FDI) in the financial sector allowing up to 74 percent investment in private banks.

At all times, at least 26 percent of the paid up capital will have to be held by residents, except in regard to a wholly-owned subsidiary of a foreign bank.

The guidelines would apply to all existing private sector banks. The notification clarifies that in the case of FII, the earlier restriction of investment limit of 49 percent with the approval of the board of directors followed by a special resolution by the general body would remain.

NRIs

In the case of NRls, individual holding is restricted to five percent and the aggregate limit cannot exceed 10 percent. However, NRI holding can be allowed up to 24 percent, provided the banking company passes a special resolution to that effect in the general body.

In the post liberalization period, the Government of India has allowed FDI in private banking sector upto 74% and in the private insurance sector upto 26% of the total equity. The FDI in insurance sector may increase to 49% in the near future, once the Parliament clears the proposal.

Importance (Positive Impact) of FDI

1. Transfer of Technology: The foreign partner transfers technology and process to the domestic. The transfer of technology would help to improve quality, improve quantity (due -to speed) and reduction of costs. This helps to improve productivity of the domestic banks / insurance firms.

2. Professional Skills: The foreign partner may depute professional mangers to assist the management of the domestic bank / insurance firm. The foreign bank / insurance firm may also provide training to the staff of its domestic partner. This will help to improve efficiency of the personnel, which in turn can generate higher returns.

3. Economic Development: FDI in banking / insurance sector facilitates economic development of a nation. Due to FDI, the domestic bank can provide more funds (loans/advances) to firms. This increases the production of goods and services, which in turn enhances economic growth of the nation.

4. Employment: FDI helps to create direct and indirect employment.

* Direct employment in the banks / insurance firms where FDI is deployed.

* Indirect employment in the sectors in primary and secondary sectors. Due to employment, the purchasing power of the employed increases and therefore, they can enjoy higher standard of living.

5. Corporate Image: Foreign banks / insurance firms invest equity in select domestic banks / insurance firms. Therefore, the corporate image of the domestic banks (in which FDT is undertaken) improves not only in the domestic market but also in international markets.

6. Revenue to Government: Due to FDI, the domestic bank / insurance firm can lend more funds in the market to provide insurance. The business firms can expand their business activities due to the credit / insurance provided by the banks / insurance firms. Expansion of business may enable to earn higher returns. As a result the Govt, may earn higher revenue by way of direct and indirect taxes.

7. Customer Service: FDI brings in modernization and professionalism. Therefore, customers get better services due to professional approach of the staff.

8. Entry in Overseas Markets: FDI may enable private banks / insurance firms to set up branches abroad. The Indian banks can take the advantage of goodwill of the foreign partner to set up branches in overseas markets. Setting up bank branches / insurance branches abroad facilitates the growth and expansion of Indian players. 9. Improvement in Efficiency: FDI may generate higher efficiency in the banking / insurance sector. The efficiency of the staff may improve due to the following reasons:

* Training and development.

* Technology up gradation.

Logistics

Logistics is the management of the flow of resources, between the point of origin and the point of destination in order to meet some requirements, i.e. of customers or corporations. The resources managed in logistics can include physical items as ,food, materials, equipment, liquids and staff as well as abstract items as information. The logistics of physical items usually involves the integration of information flow, material handling, production, packaging, inventory, transportation, warehousing and oftentimes security

MEANING AND DEFINITION

The logistics network is a vast system of companies /organisations, people, technology, activities, information and resources involved in moving a product or service from supplier to customer.

Philip Kotler defines logistics as "planning, implementing, and controlling the physical flows of materials and finished goods from the place of origin to the point of use to meet the customer needs at a profit."

The International Council of Logistics Management defines logistics as "the process of planning, implementing, and controlling the efficient and effective flow and storage of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption to meet customer requirements."

Elements of Logistics:

The elements of logistics network are as follows:

1. Facility Location and Network Design: The logistics department must design the location of facilities from where the logistics operations would be carried out and their interconnection.

The logistics department should decide about the location, size and number of logistics facilities like material handling facilities, manufacturing plants, warehouses, wholesale and retail outlets. These aspects of logistics would affect other aspects like levels of inventory, transportation, packaging and delivery.

2. Information: Logistics is essentially an information-based activity of inventory movement across a supply chain. Information systems play a vital role in delivering superior service to customers. Use of the Information Technology (IT) tools for information, identification, access, storage, analysis, retrieval and decision support in logistics enables firms to compete effectively.

3. Customer Order Processing: The purchase order placed by the buyer contains details of quality and quantity of product,price, delivery schedule, payment terms, and other terms as agreed upon. The customer order processing must verify the following:

* Delivery schedule.

* Location of delivery.

* Specifications of the product.

* Payment terms and conditions including credit period, etc

4. Inventory Management: It is concerned with maintaining enough inventories to meet customer requirements. Inventory management tries, to achieve a balance between customer satisfaction and costs of maintaining inventories. The firm should not maintain too high inventories or too low inventories. If too high inventories are maintained, it would affect working capital requirements, and if too low inventories are maintained, it may affect delivery schedules. Therefore, inventory management is concerned with maintaining the right level of inventory to meet customer requirements at lowest cost.

The following activities are involved in inventory management:

• Analysis of on-hand inventory.

• Communicating the quantity, quality and timing of material requirements with the supply points.

• Obtaining the right quality and quantity of materials at the right time.

5. Warehousing: It refers to storage of finished goods until they are delivered in the market. Warehousing is an important element in logistics. It is directly linked to the firm's ability to deliver the desired level of customer requirements. Major decisions in warehousing are:

* Location of warehousing facilities

* Size and number of warehouses.

* Design and layout of warehouses.

* Ownership of warehouses - company owned or hired.

6. Transportation: Transportation is the most basic component of logistics. It facilitates the movement of goods from supplier to the buyer. The physical movement of goods can take place through various transportation modes such as air, road, rail, water, and pipeline (for gas). The mode of transportation depends on certain factors such as:

* Cost of transportation.

* Urgency of the product to customers.

* Nature of goods.

* Location of the customer.

7. Material Handling: The speed of the inventory movement across the supply chain depends on the material handling methods. Mechanization and automation in material handling enhance the logistics system productivity. Improper method of material handling will add to the product damages and delays in deliveries and incidental overheads. Considerations for selection of material handling system include the volumes to be handled, the speed required for material movement and the level of service to be offered to the customer.

8. Logistical Packaging: It is an important element of physical distribution of a product. It differs from product packaging, which is based on marketing objectives. Logistical packaging facilitates protection to the product during transit. Certain decisions have to be taken in respect of logistical packaging such as:

* Materials used for packaging.

* Cost of packaging.

* Design of packaging.

* Marking and labelling.

Importance of Logistics

1) Effectively coordinated logistics leads to positive business results: As businesses grow and expand (regionally, internationally or even globally), they become more reliant on effectively organized supply chains which includes sophisticated logistics. This element of supply chains is not something that "only matters in large-business development". It is just as crucial in terms of improving efficiency and profitability with smaller and medium-sized business as well.

Logistics plays an essential part in supply chain management. It is used to plan and coordinate the movement of products timely, safely and effectively.

Customers now not only include your neighbors and local friends; they include people from across the globe, as well. Regardless of the distance, each customer expects their products to be delivered quickly and flawlessly. In order to do this, smart businesses hire experienced professionals to align the pattern of movement of products in the most convenient and practical way.

2) Logistics helps businesses create value: Providing value to customers does not only refer to quality or quantity. It also refers to availability. As better logistics makes your products more available to an increasing group of people, wise business leaders consider it a very important tool in creating value for customers. Logistics creates and increases the value businesses offer by improving merchandise, and ensuring the availability of products. In order to **provide more value**, businesses either work on improving their own logistic activities or rely on professionals.

3) Logistics helps in reducing costs and improves efficiency: With global trade growing more popular, logistics has become the heart of supply chains. Business leaders have realized they can reduce their costs by establishing partnerships with other businesses which offer transportation and warehousing. When businesses start using such services to outsource transport and warehousing, they improve their overall business efficiency, sometimes dramatically. If they let these partners take charge of shipping their goods to end customers, this results in a better reputation and a stronger brand.

By working with highly professional and reliable logistics companies such as A&A, many businesses have improved their efficiency by providing faster delivery of product. This leads to an improved customer experience and higher working efficiency in general.

4) Logistics helps delivering your product at the right place timely: Logistics is firmly and clearly defined within a supply chain. However, due to differing customer demands, it has to be constantly evolving in order to provide better results. Customers nowadays are more likely to impulse shop using a smartphone, and be equally as impatient about receiving their order.

With professionally organized logistics, businesses are able to answer short-time requirements. By choosing an experienced team of professionals, business entrepreneurs can ensure quick and safe shipping, warehousing and delivery of their products to customers. They can incorporate these services in a way that adds value to their offers, and ensure their products get to the right place on time.

5) Logistics is the key to success with supply chains: Supply chains are unique networks between businesses that deal with the production, shipment, warehousing and delivery of products. These networks are very important to businesses as they largely affect sales and profits. However, without effective and well-organized logistics, supply chains can't help your business gain a clear advantage over the competition. While a good marketing strategy can "open many doors" and attract customers, a reliable logistics service can help your business **build and maintain a positive public image**. Meanwhile, poorly organized logistics can lead to losing customers and decreased sales.

6) Keep your customers satisfied, rely on experienced logistic professionals: Satisfied customers are the most precious asset for any business. They are the main drive for the supply chains in each of the three phases: manufacturing, marketing and logistics. For this reason, it is a priority for each business owner to clearly understand customer needs, preferences and demands, and then work relentlessly to meet them. When successful business leaders acknowledge the needs and requirements of their existing and potential customers, they develop a strategy. Whether the business is small, middle-sized or large, strategies **rely on effective logistics**.

LOGISTICS SECTOR IN INDIA

The Indian logistics sector faces a number of challenges. The challenges are mainly on account of infrastructural problems. However, there are other issues that pose a challenge to the logistic sector:

1. The infrastructural bottlenecks: Infrastructure is one of the biggest challenges faced by the Indian logistics sector and has been a major deterrent to its growth. Infrastructural problems like bad road conditions, poor connectivity, inadequate air and sea port capacities and lack of development of modes of transports like railways and alternates like inland water transport and domestic aviation have been constant irritants. Due to the infrastructural bottlenecks costs per transaction in Indian logistics sector is very much high compared to those in the developed markets.

Transport by road forms an important component of freight movements within India, with a large chunk of goods, over 65 percent, being moved by road. The poor infrastructure has severely crippled the smooth functioning of logistics operations. With narrow and congested highways, poor surface quality of roads and 40 percent of villages not having access to all-weather roads, the efficiency of the transport system is severely affected.

Pathetic road conditions combined with the fact that India is perhaps one of the least connected regions in the world constitute a major impediment. Poor connectivity via roads and railways to ports, warehouses and logistics hubs is major infrastructural bottleneck. Movement of goods within the country is fraught with delays and risks.

The bulk of Indian foreign trade is carried by sea routes and the existing port infrastructure is insufficient to handle trade flows effectively. The current capacity at major ports is overstretched and their infrastructural upgrades are being made at very slowly pace. While Shanghai's ports can turnaround a container ship in 8 hours, the same ship in Mumbai takes 3 days.

The Indian government has started paying attention to the problems being faced by the logistics sector and has initiated several infrastructural projects to mitigate their woes. Projects like rail freight corridors and development of the inland waterways as a means of developing alternative modes of transport are being planned. Some important steps are being taken in augmenting the rural infrastructure like connecting majority of the habitations with all weather roads, construction of new roads and upgrading of existing ones etc. New port and a large container handling facilities are on the cards. But all these are still not sufficient to cater to the growing needs of the economy.

2. Delays and Spoilage: Huge traffic jams and a large number of documentation have resulted in delays and spoilage of certain goods. In contrast to this, vehicles in western parts of the world move much faster and have swifter and easier documentation. It is to be noted that vehicles in the western parts of the world run at three times the speed of vehicles in India.

3. Inter-State Check Posts: Inter-state check posts, surprise checks and unauthorised hold ups on highways (some due to security reasons while othersare to establish the authenticity of the cargo as declared) create problems.

4. Problems of Warehousing: In India, warehousing has also been typically dominated by small players with small capacities and poor deployment of handling, stacking and monitoring technologies. While it has had detrimental effect on almost all sectors, the food sector has been the one that has suffered the most due to low investment in cold storage chains and allied machinery. Erratic power supply have also meant low dependence on technology and a more manual operation.

5. Problem of Unorganised Sector: In India, a major part of transportation is handled by the unorganised sector. It is estimated that about 85% of the road transport facilities are provided by unorganised sector. Due to the unorganised sector presence, there is poor handling and delays in delivery of goods. This is because; the unorganised sector does not adopt professional approach towards their operations.

4) E-Commerce

Commerce is basically an economic activity involving trading or the buying and selling of goods. For e.g. a customer enters a book shop, examines the books, select a book and pays for it. To fulfill the customer requirement, the book shop needs to carry out other commercial transactions and business functions such as managing the supply chain, providing logistic support, handling payments etc.

As we enter the electronic age, an obvious question is whether these commercial transactions and business functions can be carried out electronically. In general, this means that no paperwork is involved, nor is any physical contact necessary. This often referred to as electronic commerce (e-commerce).
The earliest example of e-commerce is electronic funds transfer. This allows financial institutions to transfer funds between one another in a secure and efficient manner.
Later, electronic data interchange (EDI) was introduced to facilitate inter-business transactions.

"E-Commerce or Electronic Commerce, a subset of E-Business, is the purchasing, selling and exchanging of goods and services over computer networks (such as Internet) through which transactions are performed".

"E-Commerce can be defined as a modern business methodology that addresses the needs of organizations, merchants and consumers to cut costs while improving the quality of goods and services and increasing the speed of service delivery by using Internet".

E-Commerce takes place between companies, between companies and their customers, or between companies and public administration. Amazon.com, an online bookstore started in 1995 grew its revenue to more than 600$ million in 1998. Microsoft Expedia, an integrated online travel transaction site helps to choose a flight, buy an airline ticket, book a hotel, and rent a car etc. in only a few minutes.

E-Commerce vs Traditional Commerce

E- Commerce is about the sale and purchase of goods or services by electronic means, particularly over the internet. In a pure e-commerce system, transactions take place via electronic means. In this case, you will access a cyber-bookstore and download a digital book from a server computer.

In a physical or traditional commerce system, transactions take place via contact between humans usually in a physical outlet such as a bookstore. For e.g. if you want to buy a book, you will go to a physical bookstore and buy the physical book from a salesman.

E-Commerce is more suitable for standard goods, intangible goods; whereas traditional commerce is more suitable for nonstandard goods, perishable goods, and expensive goods. Complex products such as cars are better served by integrating e-commerce and physical commerce.

Features of E-Commerce

1. E-Commerce is Technology-Enabled: Traditional commerce is taking place since times immemorial but E-commerce is result of integration of digital technology with business processes and commercial transactions. The technological foundations of E-commerce are internet, WWW and various protocols.

2. Technology Mediated: In E-commerce buyers and sellers meet in cyber space rather than physical place. Hence E-commerce does not involve face to face contact.

3. Universality: Buying and selling take place through websites in E-Commerce. The websites can be accessed from anywhere around the globe at any time therefore it possess the feature of universality.

4. Intercommunication: E-commerce technology ensures two way communications between buyer and seller. On one hand by using E- commerce firms can communicate with customers through E-commerce enabled websites. On the other end, customers can also fill order forms, feedback forms and can communicate with business operating firms.

5. Delivery of Information: E-commerce serves as the best channel of communication. E-commerce technologies ensure speedy delivery of information at very low cost and considerably increase information density as well.

6. Electronic Completion of Business Processes: By using E- commerce we can perform business transactions like accounting and inventory through computers at global level.

7. Virtual Communities: Virtual Communities are online communities created by means such as chat rooms and specifically designed sites like, where people can interact with each other having common interest using the internet.

8. Inter-Disciplinary in Nature: Implementation of E-Commerce needs a lot of knowledge of managerial, technological, social and legal issues. Besides this, understanding of consumer behaviour, marketing tools and financial aspects is as crucial as designing interactive E- Commerce websites.

9. Customization: With the use of E-commerce technology, the world is moving from mass-production to mass-customization. Product customization ensures that goods are tailor made as per the requirements and preferences of customers. Like Dell Computers Website www (dot) dell (dot) com enables the consumers to mention configuration of a Computer and then the product is made available and delivered as per the configuration ordered by the customer.

Functions of E-Commerce

1) Global Sourcing: It is one of the important features of E-commerce that it has global reach. It means the users of internet are spread out through over the world. With the help of the e-commerce technology has allowed transactions to across national boundaries. It mostly employs temporary workers across all levels such as IT workers, legal services, public relations, and media personnel.

2) Customer Satisfactions: For any business, customer’s happiness is important. They cannot be lured. They much aware of. E-commerce gives top priority to customer’s satisfaction by delivering products and services fast. No doubt customer’s desires are unpredictable but important to analysis. E-commerce through online research tries to understand the needs and wants of customers and accordingly prepares the business.

3) Facility of E-Mail: E-mail continues to be the leading driver of E-commerce. It is commonly used in online communication. Therefore email has emerged as an effective communication medium and marketing device large number of transactions in e-commerce is conducted through email.

4) Electronic Data Interchange (Edi): It is one of the functions of e-commerce to facilitate the working of an information system called EDI. This information system links a company, with which it has some kind of transactions and enables the data to be transmitted and received without rekeying. It is different from email in the sense that it transmits actual transaction such as transaction date, amount, senders name, receivers name etc. EDI takes place when a business transmits computer-readable data in a standard format to another business.

5) Safety and Secured Transaction: E-commerce provides safety and security to business transactions. Nobody should have easy access to the transactions done on the NET. Good amount of privacy is maintained to avoid forging transaction. Confidentiality of transaction is the main element of ecommerce to make it successful.

6) Motivating Businessmen: Now a day’s most of the businessmen are planning to put their business online. No doubt some research is to be undertaken to find out opportunities on online business and select a business which will help him to achieve his target. If he doesn’t have experience then he can use software packages, which are user- friendly and are easily available. With the help this he leads his business to a greater extent and will be able to motivate to customer to buy product and services.

7) Facilitates E-Banking: An important aspect of E-commerce is fast growing e- banking. Under e-banking services are provided to customers electronically, which are of two types a) online banking transactions and b) electronic fund transfer. Online banking means customer can withdraw amount from his account without writing cheque. Electronic funds transfer means transmission of financial transactions, both debit and credit, between banks and customers or banks and companies.

8) Facilitates E-Share Trading: In India, physical share trading was existing. In the year 1994 National Stock Exchange introduced electronic share trading. Here, process of trading remains same for both, physical and electronic. The difference is in communication. Under electronic trading transmission of data is from earth station to satellite and back to broker's office and again in reverse direction. So Ecommerce has gained a lot through this prompt and reliable technology.

9) Other Functions: Ecommerce performs certain functions like e-shopping, providing After Sale Service, e-journals etc. all these functions are giving comfort, convenience and easiness to the customers and business units.

Scope of E-Commerce

Scope of E commerce means where E-commerce is implemented or utilized in a field. Now a day it has very vast scope, it is applicable to various functions of day to day activities, for example email, barcodes, World Wide Web or electronic data interchange. To know scope of E-Commerce following points can be discussed.

1) Online Retailing: E- Commerce helps to grow online retailing. Online retailers exploit opportunities and do fast business with lower marginal profit. It gives high customers satisfaction and helps to increases total sales. Online transaction lead to increase trust and comfort with ethical business therefore every shoppers trying to opt for online transaction as familiar brand, simplified ordering and return processes availability all the times of goods and services.

2) Online Research: Online research is becoming main part of the E-commerce. Paper questionnaire is given on web page and result are automatically posted to a data base, this kind of survey is economical and speedy. These research can be used more visuals and video, such type of collecting information develops interactivity. Online research is reliable and cost effective.

3) Facilitates E-Procurement: Procurements means to fill up or recruit. In a business, business needs two types of materials known as direct and indirect materials. Direct materials are basic to the production and it decides or determines features and capabilities of firm products. It includes Raw materials and machineries. Indirect materials supports the business, it is needed for operations affecting cost. It includes office supplies and spare parts of machineries. E-commerce facilitates procuring these materials electronically

4) Services of Agent: The use of agents in E-Commerce has become necessary to provide user friendly E-Commerce solution to customers. For example now a days in such a growing online marketing situation customer needs certain tools to help them to short down the choices of the products. There are certain tools or software programs which called as agent are taking note of it an accordingly as per users preferences matching their choice against the available products which gives maximum satisfaction to the customers. Importance of e commerce

Importance of E-Commerce

In today's technological era, E-Commerce plays very important roles as it gives maximum satisfaction in marketing, production, advertising or communication system of business and helps to both customer as well as business man. Besides this there are other functions or benefit given by the E-Commerce is as under.

1) Connecting all: E-Commerce is not an independent but relied on network connectivity. Therefore business unit can expand beyond its geographical location and can be transacted to any part of the world. It has global market therefore there is an increase sales turnover, for example amzon.com is purely internet based book store has developed more than any established book stores.

2) Locate the product quickly: Locate the product quickly ,the title itself indicate its meaning that for finding product immediately there are some search boxes, customer by clicking only once find out the desired or expected product and met his/her needs. This is one of important function of E-Commerce helps customer.

3) Lower cost: In a marketing people considers cost as a sensitive parts. E- Commerce lowers the cost. Its effects is customers are able to get products with a discounted price. Here some of the ways with what E-Commerce reduces cost are:

4) Advertising and marketing: These activities will be undertaken on search engine, paper click and some social media traffic which incurs less cost.

5) Less personnel: It means there is a no need of a men to deal with check out, billing, payment or inventory management, therefore there is a cost saving. There is no need of physical assets for a purpose of running business activity like prominent physical location etc..

6) New customers: With the help of E-Commerce new customers can be easily established, it is not necessary that seller need to build brandy and relationship as in the case of physical relationship. It is driven by traffic from search engine.

7) Large scale operations: E-Commerce enjoys the benefit of large scale operations. Economies of large scale mean savings by undertaking large transaction. Under E-Commerce there is a lower co-ordination cost which compels seller to sale goods at low price. The sellers than to earn good profit because of large volume transaction and this is possible because of e-Commerce.

8) Boost to economy: E-Commerce giving support to economy to develop at a greater extent by reducing search cost. Its effects is buyers is able to find out best suppliers and seller is also getting needy buyers. Therefore large transaction is going to take place with which economic can develop.

9) Provide niche marketing: Because of the E-Commerce it is possible to a buyer as well as seller to locate niche product. Online it is only matter of the customer for the products in the search engine.

10) Remain open all the time: Store timing are now 24/7/365. E-Commerce websites can run all the time. From the marketer’s point of view, this increases the number of order they receive. From the customer’s point of view, an “always open” store is more convenient.

<u>Limitations of E-Commerce</u>

1) Lack of Inspection: While purchasing on net or online shopping, goods cannot be inspect therefore people don’t have the confidence to purchase product online. They go far away from the type of transactions.

2) Low Coverage: It is one of the major disadvantages of E-Commerce that it has low coverage because steel internet facility is not widely spread out in every part of the country therefore very few people are able to take advantages of it. Most of the people are not having personal computer, for that this kind of facilities is much unknown.

3) Uncertain Delivery: The time period required for delivery physical product can also be a quit significant in case of E-Commerce. Lot of phone calls and E-Mails may be required till you receive your desired products, further retailing the product and getting the refund can be more difficult and time consuming than physical purchasing.

4) Not Suitable for All Products: E Commerce purchasing is not suitable to the perishable goods, Jewelries and antiques.

5) Insecurities: Customers are afraid to send their credit card number or the internet, they are having the fear in the mind that the number will be misuse, and they feel uncomfortable viewing merchandise on computer screen or other than inspecting in person.

6) Outdated Laws: The legal environment, in which the E-Commerce is conducted, is in full off unclear and conflicting laws. Moreover laws have not been updated to deal with cybercrime. Therefore there is a need to address technical issues to build up customers trust otherwise the life of the E-Commerce is in dangerous.

TYPES OF E-Commerce

E-commerce means any form of business transactions in which the parties interact electronically rather than by physical exchange of documents or direct meeting amongst officials. Ubiquity, Global reaches, Universal standards, Richness, Interactivity, Information density, Personalization and customization etc. are the main features of E-commerce.
The functions of E-commerce are Global sourcing, Customers satisfactions, facility of e-mail, electronic data interaction, safety and secured transactions, motivating businessmen, facilitate e- banking and e-share trading etc.

Online relating, online research, e-procurement, Services of agents etc. are the areas where e-commerce is implemented. In today's technological era, E-Commerce is giving maximum satisfaction in marketing, production, advertising or communication system of business as it is connecting all, locates the product quickly, lowers the cost, easily establishes new customers, enjoys the benefit of large scale operations, boosts to economy, provides niche marketing, remain open all time. Some technological and inherent limitations are there such as: lack of inspection, low coverage, uncertain delivery, limited suitability, insecurities, outdated laws etc.

Business to Business (B2B)

Business-to-business (B2B), also called B-to-B, is a form of transaction between businesses, such as one involving a manufacturer and wholesaler, or a wholesaler and a retailer. Business-to-business refers to business that is conducted between companies, rather than between a company and individual consumer. Business-to-business stands in contrast to business-to-consumer (B2C) and business-to-government (B2G) transactions.

Business-to-business transactions are common in a typical supply chain, as companies purchase components and products such as other raw materials for use in the manufacturing processes. Finished products can then be sold to individuals via business-to-consumer transactions. In the context of communication, business-to-business refers to methods by which employees from different companies can connect with one another, such as through social media. This type of communication between the employees of two or more companies is called B2B communication.

- Business-to-business (B2B) is a transaction or business conducted between one business and another, such as a wholesaler and retailer.
- B2B transactions tend to happen in the supply chain, where one company will purchase raw materials from another to be used in the manufacturing process.

- B2B transactions are also commonplace for auto industry companies, as well as property management, housekeeping, and industrial cleanup companies.
- Meanwhile, business-to-consumer transactions (B2C) are those made between a company and individual consumers.

B2B ecommerce is valuable in describing transactions which happen between the online businesses. Notably, this refers to the B2B portals which allow advertising and buying of services and inventory amongst businesses in the same industry.
The merits of doing business in this manner are a lot, for instance, increased reach and sales, transparency and a lot more.

B2B organizations currently think of ecommerce differently. Electronic selling is a way to boost revenue and drive customer acquisitions. It is a manner of differentiating from the competition.

Increased Reach: The B2B portals of ecommerce offer a way of increasing reach to customers and making your organization and products known by more potential customers. There are a lot of business directories all around the world, *Yelp* in the US, *Akama* in Canada or *SavvySME* in Australia. The presence of web pages which show what the organization involves, people browsing in the search engine will see your pages and hence represent imminent business opportunities as well as sales.
When you set your pages as private, you may still expand reach by focusing your content on the web store to specific markets. It offers you the chance to be various places at once, this will boost the potential interactions of business to enjoy. Containing public-facing catalogs is the best way to get to new B2B clients.

Streamlining, transparency and efficiency: The B2B ecommerce will streamline your customer interactions by enabling the process of ordering be reliable and efficient. This is vital in the current climate of commerce where there are high demand and short time.
Through operation out of the web portal, all ordering may be merged with the ERP (enterprise resource planning) software so that the delay time between dispatch and ordering is negligible. Mistakes in the ordering process or order fulfillment regarding stock counts that are inaccurate may be prevented since up-to-date counts from your warehouse is integrated into your website, this allows sales agents and customers to always know what is available. Through the ERP, customers can order online when they want to and the client service can focus on real client service duties instead of being just order takers and the necessity of relay information in independent systems is removed.

Better management of suppliers and customers: The concept of B2B ecommerce offers better management of both the suppliers and customers. Essentially, the whole initiative is a win-win for both parties. Your clients will have a custom-made portal for them that shows their browsing history, all personal details, shipping, and the tracking data as well as a wish or shopping list.
They will have more control of the entire process that not only enables efficiency and transparency but also eliminates the need of calling to talk to someone just to ask for an update of an order. Moreover, you will have better management of the suppliers since you can view what raw inventory is on hand and when, also, you will see the progress of the orders.

More sales: You will not only reach new clients, but ecommerce will also allow you to quickly implement the automated up-sell and cross-sell program of recommendation, providing suggestions to clients on your site and making them buy related products or products containing more functionality and features.
The web-based portal, similar to a marketplace, that shows your products and services, saves a lot of overheads which are a characteristic of the physical storefront or the physical trade show stall and hence with the reducing overheads, the bottom line grows.

Analytics: The B2B ecommerce offers the ideal platform for the business to launch an analytics campaign. Outsource2EU noted “With the help of ecommerce, business is able to easily evaluate and measure sales effectiveness, product mix, marketing campaigns, inventory turns, client engagement, and client sales effectiveness".

Google analytics provides ecommerce tracking, however, integrating analytics with the ERP also offers much more important information with insights that are actionable.

Better sales engagement: The physical sales team will as well merit from the launch of the ecommerce effort. The B2B ecommerce portal or site will boost the sales teams' visibility towards the client orders, history and pricing on the road or working from remote locations. The traveling sales agent show a lot of carbon mile on the road, this can be reduced via the web portals and the web-based sites of communication.

<u>Business to Consumer (B2C)</u>

The term business-to-consumer (B2C) refers to the process of selling products and services directly between a business and consumers who are the end-users of its products or services. Most companies that sell directly to consumers can be referred to as B2C companies.

B2C became immensely popular during the dotcom boom of the late 1990s when it was mainly used to refer to online retailers who sold products and services to consumers through the Internet.

As a business model, business-to-consumer differs significantly from the business-to-business model, which refers to commerce between two or more businesses.

- Business-to-consumer refers to the process of businesses selling products and services directly to consumers, with no middleman.
- B2C is typically used to refer to online retailers who sell products and services to consumers through the Internet.
- Online B2C became a threat to traditional retailers, who profited from adding a markup to the price.
- However, companies like Amazon, eBay, and Priceline have thrived, ultimately becoming industry disruptors.

Advantages:

Catalog Inflexibility: The direct 'link' has enough potential to showcase content information and other visual images that already prevail on websites belonging to multiple clients. Quite interestingly, we've been given the liberty to adjust our e-catalog whenever it's feasible, it includes the addition of the new products and making amendments in their prices accordingly. Unlike, traditional print catalogues, it consumes less amount of time. It possesses various searching options to assort the items, corporate and division names, partners and even the manufacturer's label to fulfill the desired needs.

Shrinks The Competition Gap: Minimal marketing and advertisement expense along with openings through which we can compete with high-profile companies in terms of price, quality and availability of the products

Unlimited Market Place: It exhibits unlimited marketplace by enabling the customers to explore and shop as per their convenience. It should be in our best interest that we can check on the desired services from home, offices and anywhere else without the stress of following a restricted timeframe.

We can purchase the products at a global level from every corner of the world. It means that the internet has broken the international barriers and has given us the opportunity to stash various items and equipment without the need of being at the shops in person.

24 Hours Store Reduced Sale Cycle: No need to make excessive amount of phone calls and descriptive e-mail messages.

Lower Cost of Doing Business: The B2C has reduced a number of business components including, employees, purchasing cost, mailing confirmations, phone calls, data entry and the requirement for opening up stores with physical existence. It has influenced and declined the transaction costs for the customers.

Removing Third Party Clients: We have the liberty to sell our products directly to the customers without the need of involving third party clients in the middle of the process.

Business Administration Made Easier: It has made it easier to record store inventory, shipment, logs and overall business transactions compared with the traditional ways of business administration.
These aspects of business are now being calculated automatically with utmost accuracy for the online entrepreneurs. Moreover, it provides real-time update feature through which we can explore all the latest happenings in our business

Frees Your Staff: Runs our business setup without having the customer service and sales support department.

Customers Appreciate It: The sales process is handed over to the customers.
Enhances customer-base and their loyalty level.

More Efficient Business Relationships: Building new and improved associations with the dealers and suppliers.

Work flow Automation: This process gives us an edge over shipping products in a timely manner.
Furthermore, it automatically adjusts the stock levels and figures out location availability with a ballistic speed.
Highly reliable security system with step by step verification, account entry and admiration mode to look after the business transactions.

The third party direct sales are backed up with familiar banking and accounting features that enable us to reach out to our vendors and perform internal business transactions accordingly

Customer to Customer (C2C)

Customer to customer (C2C) is a business model, whereby customers can trade with each other, typically, in an online environment. Two implementations of C2C markets are auctions and classified advertisements. C2C marketing has soared in popularity with the arrival of the internet and companies such as eBay, Etsy, and Craigslist.

How C2C Works

C2C represents a market environment where one customer purchases goods from another customer using a third-party business or platform to facilitate the transaction. C2C companies are a new type of model that has emerged with e-commerce technology and the sharing economy.
Customers benefit from the competition for products and often find items that are difficult to locate elsewhere. Also, margins can be higher than traditional pricing methods for sellers because there are minimal costs due to the absence of retailers or wholesalers. C2C sites are convenient because there is no need to visit a brick-and-mortar store. Sellers list their products online, and the buyers come to them.

- Customer to customer (C2C) is a business model, whereby customers can trade with each other, typically, in an online environment.
- C2C businesses are a new type of model that has emerged with e-commerce technology and the sharing economy.
- Online C2C company sites include Craigslist, Etsy and eBay, which sell products or services through a classified or auction system.
- C2C has problems such as a lack of quality control or payment guarantees.

Types of C2C Businesses

Craigslist is an e-commerce platform that connects people advertising products, services, or situations. Craigslist not only provides a platform for buying, selling, and trading products but posts monthly classified ads, such as employment opportunities and property listings. Like many others, this platform requires the seller to ship items directly to the buyer.

Etsy allows company owners to create their custom website on which to market their products to consumers. The C2C site offers guidance and tools for growing a business that ranges in price according to a company's stage of development. There's also a Sell on Etsy app that helps to manage orders, listings, and customer queries efficiently.

eBay features two types of product listings: fixed-price items and auction items. Fixed price items can be purchased quickly by selecting the Buy It Now button. Auction items feature a Place Bid button for entering bids and show a current bid price. These items are open to bids for a predetermined time and are declared "sold" to the highest bidder.

Revenue and Growth of the C2C Market

C2C websites and similar platforms make money from fees charged to sellers for listing items for sale, adding on promotional features, and facilitating credit card transactions. These C2C transactions typically involve used products sold through a classified or auction system.

The C2C market is projected to grow in the future because of its cost-effectiveness. The cost of using third parties is declining, and the number of products for sale by consumers is steadily rising. Retailers consider it to be an essential business model because of the popularity of social media and other online channels. These channels showcase specific products already owned by consumers and increase demand, which drives increased online traffic to C2C platforms.

However, C2C has problems such as a lack of quality control or payment guarantees. In some cases, there is little support for credit card transactions, although the emergence of PayPal and other such payment systems over the years has helped simplify payments on C2C platforms.

Infrastructure and e payment

Internet and its role in e commerce

The Internet allows people from all over the world to get connected inexpensively and reliably. As a technical infrastructure, it is a global collection of networks, connected to share information using a common set of protocols. Also, as a vast network of people and information, the Internet is an enabler for e-commerce as it allows businesses to showcase and sell their products and services online and gives potential customers, prospects, and business partners access to information about these businesses and their products and services that would lead to purchase.

Before the Internet was utilized for commercial purposes, companies used private networks-such as the EDI or Electronic Data Interchange-to transact business with each other. That was the early form of e-commerce. However, installing and maintaining private networks was very expensive. With the Internet, e-commerce spread rapidly because of the lower costs involved and because the Internet is based on open standards.

The World Wide Web is improving contact means, partnership, and production efficacy. A major advantage is rapid communication and interaction among participants, with business leaders able to make intelligent moves and techniques much more promptly than in the previous years when internet was not used widely.

1. Customers visiting business sites can make all necessary transactions using the internet without the hassle of going to the actual store.
2. They can even view and buy anything in that website 24 hours a day and 7 days a week.
3. Updates on order status and delivery schedule can also be known through the internet. Thus, the customer is well- informed about his purchase, from choosing the product to actually getting it.

4. Customers can view detail technical specifications of products even if they are miles awayor separated by seas from the supplier. Through this, customers can make more intelligent assessment of the products being sold. This is specifically applicable to products that involve intensive designing means such as for laboratory equipment's or manufacturing facility machineries.

5. Customers can have a more personal connection with the business through the Internet and on the other hand, business can have continuous communication with the customer. With the internet making follow-ups on pending orders has become easier. Moreover, even payment of orders has become simple, secured and trouble-free through the use of the World Wide Web.

Procedure of registering domain transaction through internet

A domain name is your website name. A domain name is the address where Internet users can access your website. A domain name is used for finding and identifying computers on the Internet. Computers use IP addresses, which are a series of number. However, it is difficult for humans to remember strings of numbers. Because of this, domain names were developed and used to identify entities on the Internet rather than using IP addresses. A domain name can be any combination of letters and numbers, and it can be used in combination of the various domain name extensions, such as .com, .net and more.

The domain name must be registered before you can use it. Every domain name is unique. No two websites can have the same domain name. If someone types in www.yourdomain.com, it will go to your website and no one else's.

Registering the domain

A Domain Name is the most the basic necessity of building a web presence. Having an internet presence without a domain is not possible at all. When you actually sit down to register a domain the first thing you will need to do is to think of an appropriate name that you will like to register. This is considered very crucial as the domain will serve as an entity by which you will be known on the web.

If the domain is meant for a business purpose it is important that the registrant does a thorough review of the name he/she wants to register. He/she should always search either for a business name or one that gives your business description.

1) The first and the most important thing to find out is whether the name you have shortlisted is available or is taken by someone else. In order to check domain availability you can do a domain search with a domain registrar. If the domain name is available for registration you can then move forward to claim it.

2) The next thing to do is to find a registrar. Before making a choice it is always advised to do a quick research on different registrars. One can search from a number of options and see who offers the best price for registration. Registrars nowadays also offer different add on services in order to lure customers, so one can make a choice accordingly.

3) Once you have shortlisted the registrar you need to do a search for the domain on the registrar’s website. If the domain is still available for registration you can proceed further with the registration process. Click on add to cart, and proceed through the checkout process.

4) The only thing that is left to do is to make the payment for registration to the registrar.

Requirements for on-line payment systems

The success or failure of any on-line payment systems depends not only on technical issues but also on user’s acceptance. The user’s acceptance depends on a number of issues such as advertisement, market position, user preferences etc. So when someone discuss about the characteristics of online payment technologies, they should not only think about technical issues but also about user acceptance related issues.

Atomicity: Atomicity guarantees that either the user's on-line payment transaction is completed or it does not take place at all. If the current on-line payment transaction fails then it should be possible to recover the last stable state. This feature resembles the transactional database systems, in which either a transaction is committed or rolled back.

Anonymity/Privacy: Anonymity suggests that the identity, privacy and personal information of the individuals using the on-line payment methods should not be disclosed. In some on-line payment methods, it is possible to trace the individual’s payment details. In case of purchases using Debit Card, it is possible to find out the purchase details as that information is registered at the vendor and the bank's databases. So some on-line payment systems like Debit cards are not anonymous systems. In some other payment systems, anonymity can be weak as the efforts to get the purchase details of the user can be more expensive than the information itself. There are privacy laws in several countries to guarantee the privacy of the user and protect the misuse of personal information by the financial institutions.

Scalability: As the on-line payment methods are getting more and more acceptance of the users, the demand for on-line payment infrastructure will also be increasing rapidly. Payment systems should handle the addition of users without any performance degradation. To provide the required quality of service without any performance degradation, the payment systems need a good number of central servers. The central servers are needed to process or check the payment transactions. The growing demand for the central servers, limits the scalability of the on-line payment systems.

Security: Security is one of the main concerns of the on-line payment methods and it is one of the crucial issues which decide the general acceptance of any on-line payment methods. Internet is an open network without any centralized control and the on-line payment systems should be 35 protected against any security risks to ensure a safe and reliable service to the users. When users are paying on-line they want to be sure that their money transaction is safe and secure. On the other hand, banks and payment companies and other financial institutions want to keep their money, financial information and user information in a secure manner to protect it against any possible misuse.

Reliability: As in any other business activity, even in on-line payment methods, the user expects a reliable and an efficient system. Any on-line payment system would fail, despite of it's advanced technological features, if it fails to get the users acceptance and pass their reliability tests. There are many reasons, which can make the system unreliable to the users. Some of them are Security threats, poor maintenance and unexpected breakdowns.

Usability: Usability is an important characteristic of an interactive product like on-line payments. On-line payment systems should be user friendly and easy to use. Any On-line payment system with complicated procedures, complex payment process and other associated complications with the payment environment, can't get users acceptance. Poor usability of a web shopping or a payment method could also discourage on-line shopping. To make the online payments simple and user friendly, some of the on-line payment systems allow the users to make payments with minimum authorization and information inputs.

Interoperability: In On-line payment Technologies, different users prefer different payment systems. The different payment systems use different kinds of 36 currencies and the payment systems should support interoperability between them. If a payment system is inter operable, then it is open and allows other interested parties to join without confining to a particular currency. In the real life situation, there should be some sort of mutual agreement between various on-line payment systems to provide the interoperability. Interoperability can be achieved by the means of open standards for data transmission protocols and infrastructure. An interoperability system can gain much acceptance and high level of applicability than individually operating payment systems. Because of the rapid technological changes, it's not always easy to get interoperability between various payment systems.

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