RETAIL

CLASS XII

Study Material

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UNIT 1 DISPLAY OF PRODUCTS AND SATISFY CUSTOMER NEEDS

UNIT CODE: RS-404 NQ-2012	UNIT TITLE: DISPLAY OF PRODUCTS AND SATISFY CUSTOMER NEEDS			
Location: **Classroom, Retail or Departmental Retail Store**	**Duration: 25 Hours**			
	Session 1: Display of Products and Satisfy Customer Needs			
	Learning Outcome	**Knowledge Evaluation**	**Performance Evaluation**	**Teaching and Training Method**
	1. Organize the display of products at the retail store.	1. The products that are sold in the store and how they should be displayed. 2. Regularly check the quality and shelf life of products. 3. Prices of products. 4. Clean and maintain display areas, including refrigerators and chillers.	1. Check that display areas are clean and in the correct condition for the stock to be displayed. 2. Make displays attractive to interest customers. 3. Place specific products in the correct display areas. 4. Regularly check the quality and shelf life of products on display. 5. Take prompt action to deal with items which have little or no shelf life or which have deteriorated in quality. 6. Correctly rotate the stock of items according to their shelf life.	**Interactive lecture:** Organize the display of products at the retail store. **Activity:** Visit a retail store and observe how to organize the display of products at the retail store.

			7. Check that ticketing and coding is accurate and correct. 8. Regularly check the condition and cleanliness of displays and correct them if needed.	
	2. Establishing customer needs.	1. Observe the behavior of customers in a retail environment. 2. Provide facilities to the customers. 3. Measurement and calibration of the quantity and quality of product and supplies that customer wants. 4. Provide logical, intelligent or creative suggestions. 5. Preferences of different types of customers. 6. Provide appropriate assistance, information or advise at appropriate stage.	1. Stay alert to and make unobtrusive observations about customer choices and movements within the store. 2. Need to understand customer queries about the products and supplies. 3. Confirm with customers that the products and supplies being packed, wrapped and billed exactly match their selections. 4. Provide information on variants of product and supplies available in the store and enable customers to make informed purchase decisions.	**Interactive lecture:** Establishing customer needs in retail store. **Activity:** Visit a retail store and observe how to establish customer needs in retail store.

			5. Ensuring that customers fulfill their purchase process smoothly from start to billing by minimizing waiting times at different stages of the process.	
	Session 2 : Sale and Delivery of Products			
	1. Processing the sale of products.	1. Describe the method(s) of processing payment. 2. Describe the functioning of point of sale billing systems or traditional methods of raising a bill. 3. The appropriate mode of cash and loose cash handling, counting and settlements with the customer. 4. Efficiently conclude the customer purchase process with quick packing / wrapping of customer orders and billing. 5. Operate suitable devices and equipment.	1. Confirm prices of product and supplies with customers and ensure customers are agreeable to the pricing terms and the store's business policies. 2. Process payment or credit in line with store or business policies and ensure accurate accounting of units of purchased product. 3. Ensure safe handling and movement of product and supplies off the racks and through to billing counters. 4. Ensure proper functioning of store processes. 5. Conclude dealing with customers with appropriate and prescribed mannerisms.	**Interactive Lecture:** Processing the sale of products. **Activity:** Visit to the retail store and observe the processing the sale of products.

	2. Delivery of products to customers.	1. Describe the importance of planning an efficient delivery schedule and to follow it. 2. How to transport products and equipment safely and securely. 3. The company procedures. 4. Relevant legal restrictions on who can receive delivery. 5. How to unload goods safely and in ways which protect goods from damage. 6. The records to keep on deliveries and non-deliveries and follow company procedures for completing them.	1. Plan a schedule of deliveries, which makes the best use of time and other resources. 2. Transport products and equipment safely and securely. 3. Deliver products at the times agreed with the customer. 4. Follow company procedures for ensuring that deliveries are left only with individuals who may legally receive them. 5. Unload orders safely and in ways which protect the orders from damage. 6. Update records of delivery and non-delivery promptly and in line with company procedures.	**Interactive Lecture:** Delivery of products to customers. **Activity:** Visit a retail store and observe the delivery of products to customers.
	Session 3 : Maintenance of Store Area & Communicate Effectively with Stakeholders			
	1. Maintenance and cleaning of store area.	1. Cleaning procedure, specifications & personal hygiene levels. 2. Appropriate procedures to be followed for dismantling and	1. Acquaint yourself / the service team with cleaning specifications mentioned in the business' product safety management procedures and	**Interactive Lecture:** Maintenance and cleaning of store area. **Activity:** Visit to the retail store and find out the process to maintenance and cleaning of store area.

		re-assembling. 3. Ensuring that the correct procedures for disposing of waste and slurry are followed.	ensure conformance. 2. Ensure the team follows instructions and safe working practices while disassembling, handling and re-assembling shelf /rack/ display / merchandise areas / spaces and other materials. 3. Ensure the use of safe procedures while going about the cleaning process. 4. Identify the problems with shelf / rack / display / merchandise areas / spaces and the correct procedures for reporting them.	
	2. Communicate effectively with stakeholders.	1. The different documents / report formats that you are required to keep. 2. Organization's procedures & policies for preparing and passing on written information. 3. Communication equipments	1. Keep the information in written documents as required by your organization. 2. Make sure the communication equipment you use is working properly, take corrective action as required. 3. Accurately	**Interactive Lecture:** Communicate effectively with stakeholders. **Activity:** Visit to the retail store and observe what communication methods are used effectively with the stakeholders of retail stores.

		4. The regulations or policies that you should follow for using communication system including for private use. 5. How to talk and work with others, to work efficiently without adversely affecting your own work; the difference between hearing and listening. 6. The relevant legislation, organizational policies and procedures that apply to joint working.	interpret and act upon instructions that you receive. 4. Consult with and help your team members to maximise efficiency in carrying out tasks. 5. Give instructions to others clearly and at a pace and in a manner that helps them to understand. 6. Summarize information for customers. 7. Deal with customers in a respectful, helpful and professional way at all times. 8. Understand the roles and responsibilities of the different people you will be working with. 9. Seek appropriate support when you are having difficulty working effectively with staff in other agencies.	
	Session 4 : Duties and Responsibilities of Sales Supervisor			
	1. Identify the functions of Sales Supervisor.	1. Describe the functions of sales supervisor. 2. Importance of	1. Identify the functions of sales supervisor. 2. Practice the	**Interactive Lecture:** Functions of sales supervisor. **Activity:** Visit to a retail store and

		the functions of sales supervisor.	functions in sales supervisor.	observe what kind of functions are performed by a sales supervisor in a retail store.
	2. Describe the duties and responsibilities of Sales supervisor.	1. Describe the duties of sales supervisor. 2. State the responsibilities of sales supervisor.	1. Identify the duties of sales supervisor. 2. Find out the responsibilities of sales supervisor.	**Interactive Lecture:** Duties and responsibilities of sales supervisor. **Activity:** Visit to a retail store and observe the duties and responsibilities of the sales supervisor.

INTRODUCTION

Retail salespeople play an important role in a retailer's marketing mix. Control of human resources is most important of all. This is done through the process of supervision. Super means form above and visions means to see the work of others. Supervision is the activity of overseeing the subordinates at work to ensure that the work is performed as required. Supervision plays an important role in the management set up.

Supervisor is the person who is directly connected with rank and file or subordinates and acts as a vital link between the management and subordinate. The workers require guidance of supervisor at ever step to clear their doubts. He tells them about the proper method of doing a job for better performance. He also acts as a planner and a guide for his subordinates. The supervisor lays down the targets of production for the subordinates and determines the procedures and methods for doing the work and to achieve desired results. Supervisor devotes much of his time in supervision.

The supervision at the firing line is the most important issue since actual work is done at that level. A supervisor compares the actual functions of the subordinates' against the standards laid down and identifies weakness of the workers and suggests corrective measures to overcome them. He makes systematic arrangements of activities and resources for his group. He assigns work to each subordinate and delegate's proper authority to them. The supervisor occupies a strategic position in the hierarchy of the organization. He is directly responsible for enforcing the rules and regulations of an organization. Supervision is the ignition key that starts the engine of the enterprise and keeps the managerial train into motion.

In this Unit, you will learn about the display of products & satisfy customer needs, sale & delivery of products, maintenance of store area & communicate effectively with stakeholders and duties and responsibilities of sales supervisor.

SESSION 1: DISPLAY OF PRODUCTS AND SATISFY CUSTOMER NEEDS

Relevant Knowledge

Organize the Display of Products at the Retail Store Displays that are organized and created to efficiently meet your customers' need will assure continuing business from your existing customers and will entice prospective customers to purchase from you. It is essential to consider what type of professional image you want to convey to the customer and your community when creating and organizing your facility. Consider the following questions when evaluating the image you want to promote in your community:

- What do I want people to think about first when they think about my store?
- How does my store and displays support this image?
- What do I think of first when I think about my store's appearance?
- How do other people respond to my store?
- What do people say when asked about my store's facility, staff and service?
- What frustrates me most about my store or product layout?
- What one word best describes my store?
- What excites me about my facility?
- What have I learned from considering these questions?

Take this opportunity to evaluate all the characteristics about your store's facility and Product layout and create a new environment to showcase your products.

Creating an attractive product display can draw the customer in, promote a slow moving item, announce a sale, or welcome a season. If your store front is fortunate enough to feature one or more windows, then you have one of the most proven (and least expensive) forms of advertising at your disposal.

Some stores located in a mall or other structure may lack windows, but don't despair. There are many places throughout the store to build beautiful displays. Take a look at the flow of traffic in your store. Are there any areas that are a focal point for customers?

Visual Display Tool Box

Before designing a product display, put together a visual display tool box to keep on hand. By having all of these items in one location it will save time in actually preparing the display.

- Scissors, Stapler, Two-Sided Tape, Pins.
- Hot glue sticks and glue gun.
- Monofilament Fishing Line.
- Tape Measure.
- Razor Blade/Utility Knife.
- Hammer, Nails, Screwdriver, Screws.
- Notepad, Pencil, Marker.
- Signage, Sign Holders.

- Glass Cleaner/Paper Towels.
- Props (Non-merchandise Items).

Take time to plan the display. Consider what you want to accomplish, develop a budget and determine a central theme. You may even want to sketch your display on paper. Gather your visual display tool box, the merchandise and any props. Make sure all materials and location (tables, windows, racks) are clean. Choose a slow time of the day or build the display after hours.

Elements of Effective Visual Merchandising

Balance: Asymmetrical rather than symmetrical balance with the display.

Size of Objects: Place the largest object into display first.

Color: Helps set mood and feelings.

Focal Point: Where product and props/signage and background come together.

Lighting: Should accent focal point, if possible.

Simplicity: Less is more so know when to stop and don't add too many items.

Once the display is finished, add appropriate signage. Take photos of the display and keep record of the product sales during the display's existence. Save your information in a file folder for easy reference. By documenting its success, you can re-create the display next year or if it flops, you can make sure you don't repeat the same mistakes.

Like any other aspect of retailing, creating an attractive display takes a little skill and lots of trial and error. As your store changes, so will your opportunities for visual displays. Keep working at designing eye-catching and innovative ways to make your retail store profitable through visual merchandising.

Shelf Placement

Where you place item on your store's shelves can send subtle signals to your customers that impact whether they make a purchase. The priciest products generally sit on the highest shelves, giving rise to the term "top shelf". Lower shelves should contain "destination" products, or those that people seek out and purchase regardless of price or promotion. Reserve the bottom shelf for the least popular or generic products. Shelves that sit at eye level, known as "reach," should contain products which are competitive, have a high impulse-purchase rate, or are most enticing to the customers. For smaller categories where you want to promote generics, place the store brand to the right of the national premium brands. Stock competitive products vertically and related items across from each other, so that your customers can view all of the products without having to move down the aisle.

Promotional Placements

Customers are used to seeing promoted products on your store's end caps, or gondolas, and will usually seek out those bargains. Be sure to place promoted products there that have the highest profit margin for your business, instead of simply the lowest price or best promotion. Use "dump

bins" or "offer bins" for close-out items, as consumers tend to associate these bins with cheap prices. Vestcom marketing vice president Jeff Weidauer recommends including a store-brand product to every end-cap promotion to boost their sales.

Fresh Food Displays

When setting out produce displays, always alternate green vegetables with brightly colored produce, such as carrots or red bell peppers, to engage the consumer's eye. Have bakery display cases with a black backing rather than white, to make sure that the baked goods have a visual pop. Use glass shelves in the display cases, or drape brightly colored fabric over them to complement your merchandising promotion. In all fresh food displays, including the deli, used staggered shelves so that more of the foods are visible to consumers. Use props, such as flowers or bottles of wine, where appropriate to garner an emotional response that prompts consumers to purchase.

Store Planning

Place destination purchases, such as milk, eggs and bread, in the furthest corner of the store. The more products consumers must walk by to get to them, the better the chance for them to purchase additional goods. Always place impulse purchases, such as magazines and candy, near the cash register. As consumers wait to pay for their purchases, these displays may attract them to buy more.

When was the last time you walked out of a grocery store with only one item?

You go to the store to pick up milk. But you come out with several items you didn't plan on buying. This happens to everyone. An overwhelming majority of grocery store purchase decisions are made inside the store. And it's not a coincidence that the displays are masterful.

You can learn a lot about display just by browsing your local supermarket. The best ones to visit are the higher priced gourmet markets. The displays are stunning. And effective. They get shoppers to buy.

You can learn many tips for great displays by visiting the produce department of a gourmet supermarket.

Let's look at three supermarket display techniques that you can borrow:

1. Angled merchandise
2. Colour
3. Containers & Props

1. **Angled Merchandise:** When you browse the produce department, you'll notice that most, if not all of the displays are angled, or tiered. That means the display is lowest at the front, and rises up towards the back. This technique is used to present more merchandise to the customer in a small space.

   Presenting the merchandise this way also makes it look more attractive. You'll notice that these displays look full and bountiful. There are also a number of different types of products arranged in layers. The variety of product makes these displays appear more attractive.

Let's look at the second display technique.

2. **Colour:** Once you start looking for colour in produce displays, you'll start noticing it over and over. Produce is often displayed to make the colours appear more vibrant, attractive and mouth watering. This is done by placing contrasting colours next to each other.

   In a large supermarket, it is rare to see a big cluster of green vegetables all together. You'll see the green interspersed with bright colours. Green lettuce will be next to red leaf lettuce and radicchio. Green peppers next to red and yellow. Green apples next to red.

   The contrasting colours are used in combination with the technique of angled merchandise. The produce department is full of artistic, still life arrangements to tempt us into buying. Yet most shoppers are unaware of how carefully each of these displays is planned to be visually pleasing. The colour in these arrangements is one of the biggest factors in making the produce tempting to shoppers. This brings us to the final technique.

3. **Containers & Props:** Supermarkets use carefully chosen containers and props to present their merchandise. When you browse the produce department you'll see baskets and crates used for display. They are there purely to set the mood for the department. These are the tools the stores use to create the image of farm fresh produce. Although they do help hold the products, these containers serve mainly as props.

   If you look closely at the baskets used in grocery stores, you'll notice they aren't completely filled with product. Most of them either have false bottoms, or are mainly filled with raffia or other filler.

   Why is that? Well, produce looks appealing when it is mounded up and full. Not when you have to peer into the bottom of a basket to find it. Also, produce is heavy. A big basket filled with produce will be causing damage to the ones that are at the bottom. So, supermarkets keep their baskets full and overflowing by restocking them regularly.

Retail Luxury Products Display Methods

What is the key to selling luxury products? Making people want to buy them. Even during these tough economic times, luxury brands are managing to keep their heads above water and continue to sell their unnecessary yet oh-so-desirable items. Keeping the public noticing these luxury brands is vital to their success; people won't buy what they can't see or drool over.

The Window and Storefront Display

- Grabbing the consumer's attention while they're walking by, making them want to stop in and spend money, is the main idea behind the window display. And an attractive storefront will further entice them in. The Tiffany and Co. store on Bond Street in London has an air of old world, luxurious charm. Extravagant windows, gold filigree details, a fancy clock, and signature blue Tiffany flags only add to the beautiful jewellery artfully displayed in the windows, so close yet still out of reach much like their prices for many people.

  The Gucci store on 5th Avenue in New York uses a similar method of luring shoppers in. A famous architect, James Carpenter, designed their store. All three stories are striking walls of

glass, which allow for a lot of natural light and the ability to see right inside, making the entire store a giant window display. Who wouldn't want to browse these stores and maybe even fork over a big chunk of change on something they'd never planned to buy?

The Celebrity Display

- What better way to display and sell your product than to have A-listers promoting them? A must have handbag is only more irresistible when a popular celebrity is toting it around. A smart move by many designers is to give their products to celebrities in hopes of creating a stir and building a demand for these items. Some designers, such as Alexander Wang, are even bringing it to a new level and sending out bags that haven't yet been released. This creates a buzz, and purse lovers will wonder how they can get their hands on these elusive handbags.

The Anywhere, Everywhere Display

- Logos, logos, logos. What a genius concept. Even more brilliant? People paying high dollars to carry a brand and advertise it wherever they go. Louis Vitton is the number one luxury company in the world, and their LV logo is highly recognizable. Their monogram print bags are so popular that they are also one of the most highly counterfeited luxury goods. Wherever people go with their bags, whether they bear the LV logos, the Chanel double-Cs, the Gucci interlocking Gs, or any other luxury brand name, it is not only free advertising, but these companies get paid for this advertising by the very people who bought their items.

How Effective Merchandising Helps You?

By studying this chapter on merchandising and the products you sell, you can help increase the entire store's sales. Studying can also help you personally - if you practice what you learn daily. Good merchandising: Makes your selling job easier. Signs, displays and merchandise arrangements do much of your selling job for you. Frees you for genuine selling activities. Effective merchandising encourages most shoppers to serve themselves, thus freeing you to help the big-ticket shopper who really needs your help. Increases your sales per customer. Even when you serve a customer, an attractive merchandise arrangement will stimulate extra sales. This boosts your sales per customer, which makes your sales record run well above the national averages. Raises your total sales. You can only wait on one customer at a time, but many customers can serve themselves at the same time from the displays you build. Makes retail selling more rewarding. Rushing around the sales floor to make small sales can be frustrating. Effective merchandising frees you for activities that challenge your selling skills. Gives you time to develop new skills. Self-service displays give you time to involve yourself with other retailing activities, which increases the speed of your raises, advancements and promotions.

These are only a few of the tangible and personal benefits you gain when you learn to be a good merchandiser.

Specific Merchandising Suggestions

Merchandising is not some mysterious art only a few possess. Merchandising is daily display activities that almost anyone can do if he or she works at it.

The effective hardware store or home centre merchandiser:

- Puts attractive displays, provided by manufacturers and wholesalers, to work for him.
- Uses effectively the many point-of sale pieces he receives.
- Displays related merchandise together for increased impulse sales.
- Features all advertised and promoted items.
- Insures that all displays are neat, well stocked and accessible to shoppers.
- Makes effective use of feature end or end-cap displays.
- Builds attractive departmental displays with creativity and imagination.
- Prices all items consistently. Updates all prices when they change. Makes sure the store is as competitive as possible.
- Allocates space to each department in line with that department's sales.
- Identifies all departments with signs or attractive decor or both.

These are only a few basic merchandising techniques that hardware stores and home centres everywhere find highly effective. Read Do-It-Yourself Retailing and other magazines for merchandising ideas and suggestions. Shop your competitors and other kind of stores - supermarkets, discount chains, specialty shops to see what they do right and wrong. Shop for display ideas you can adapt to your own sales floor.

Relating Space to Sales

For maximum sales, the amount of space a department occupies should relate to the sales the department generates. Sometimes a store owner or manager will let his personal interests color his business judgment. Someone interested in hunting, for example, will maintain a large gun display although there is little interest in the market. Keep in mind that you should display what your customers like. If the store allocates too much space to a department, total sales per square foot drop. If the store allocates too little space, it loses sales. The only way to know how much space you should allocate is to routinely check the store's record of sales per square foot for each department.

Seasonal Effect on Sales: The space a store allocates to a department must, of course, change constantly. The seasons affect all departments of a greater or lesser degree, and in some cases the change is drastic. For example, the typical store sells virtually all seed and fertilizer within about an eight-week period. The most profitable stores allocate high-traffic areas to seasonal merchandise, regularly changing the display with the seasons.

Effective Merchandising: Good merchandising is not simply an attractive display. Merchandising, to be effective, makes the entire sales floor inviting. No store is well merchandised until all areas of its sales floor are appealing and easily accessible to shoppers. Effective merchandising demands: A well-planned sales floor. Assign every department a specific display area. Fixtures and accessories designed for the merchandise they display. Stores waste much space and lose sales per square foot when you do not use the correct shelf profile and accessories for each merchandise category. Adequate aisle space. The best display loses selling power if merchandise blocks the aisles and shoppers cannot reach it; inviting displays. A display is more than merchandise on a

fixture. The items must be clean, the display complete (which means you have to restock the fixture regularly) and the backup stock nearby. Attractive signs and decor. Signs and decor serve two basic purposes: they create a buying and shopping mood and encourage shopping, and they help direct shoppers into all areas of your sales floor. A continuing, overall inviting hopping atmosphere. The best display is destroyed when it does its job attracts shoppers. Building an inviting shopping atmosphere never ends. The only sales floor that does not require attention is one without customers. Study hardware association material on good display techniques. Read Do-It Yourself Retailing each month; the magazine runs pictures of displays from stores around the country. And look through manufacturer literature, a good source of merchandising and display ideas.

Effective Use of End Display: The displays at the end of each gondola run, called feature ends or end caps, are highly effective. As a rule, a feature end will sell merchandise at least twice as well as the same display in another location. The effectiveness, however, depends on:

- The display's attractiveness.
- The merchandise's seasonal nature.
- Location in the store.
- Relationship to surrounding merchandise.
- Price.
- How well it has been advertised or promoted.
- Ease of accessibility.

In actual in-store studies conducted by NRHA, some end displays have moved merchandise up to eight times as fast as an identical display just around the corner. Many manufacturers make special feature end displays and Do-It-Yourself Retailing offers suggestions on how to build such units. Some basic tips: Don't crowd change often feature promoted or seasonal items and keep them neat and clean.

One effective device is to surround an audiovisual projector with the product on an end display so shoppers can see how to use the item.

Effective Use of Shelf Space: Hardware stores and home centres do not waste floor space nearly as often as they waste shelf space on sidewall fixtures and gondolas. Shelf space is wasted when a store:

- Overstocks one item while under stocking another.
- Fails to refill bins or shelves when the basic stock is reduced.
- Stocks the same items in several places.
- Uses the wrong shelf profile.
- Does not relate shelf space to customer demand fluctuations.

You can increase your productivity greatly and your value to the store as you learn to use shelf space properly.

For example, it is more effective to merchandise vertically. That is, display similar goods up and

down, on perfboard and shelves, rather than stretching them out along a gondola. The shopper can stand in one spot and pick what he wants. The display is more attractive and it is a lot easier to reorder and restock. Two exceptions to this advice: Pipe fittings are best displayed horizontally by diameter, vertically by type - Ls and Ts. Also, display bolts this way, horizontally by diameter, vertically by length.

General Display Suggestions

Here are some general tips: First, a pyramid profile, widest shelves at the bottom, lets the shopper see the most merchandise. Shelves with same width are best to mass display items the same size and shape. Second, never place shelves so close together that the top shelf hides binned or boxed merchandise on the lower shelves. Shelves are for display and not for storage. And no top shelf should ever be wider than those below except on a sidewall or gondola over six feet high where the shelf is in fact more for storage than for display.

Point-of-Sale Signs: If you could stand beside a well planned display that was loaded with attractively priced seasonal merchandise and ask each shopper to buy, you would sell many of the items every day. You cannot do this, but a good point of sale sign can. It may not audibly ask for the purchase, but if done well it will stimulate extra purchases. An effective point of sale will:

- Attract the shopper's attention.
- Identify the item or service offered.
- Describe what the item will do for the shopper.
- Give the price and any savings.

Basic Merchandising Rules

Here is a summary to help you remember some of the basic rules this chapter discussed:

- Display slow-moving and low-priced items farthest from the customer's reach.
- Always use prime display space for high-demand, seasonal, impulse, or promotional items.
- Use point-of-sale signs to call attention to hot items in each department.
- The best selling height on any display is between eye and belt level.
- Action, light and colour attract attention to any display.
- No display is fully effective or complete until the merchandise is priced. And not only must the items be priced, but the prices must be consistent.
- If feature displays do not blend with other displays around them, they may repel rather than attract.
- Keeping displays neat and well stocked is one of the most effective "tricks" in merchandising. The last thing you should do every night or the first thing you should do every morning is move packages to the front of the shelf; make your displays look full and neat.

Shop Concepts

If space on your sales floor permits, you can build store traffic and sales by using the shop concept in certain sections. Both garden and photo shops have proven especially effective. A shop is a setting which shows the way the items are used in the typical home. Shops add colour, interest and

build sales and your store image.

Shops sell more than merchandise; they sell ideas and the desire to own. By simulating a home setting, shops encourage a buying decision that might be made later on someone else's sales floor.

Sample Sales-floor Plan

It presents a format called a "loop" layout. It is not typical, but there is no such thing as an average store nor should there be. Every sales floor is different because every store carries different merchandise, sells to different consumers and serves a different community. This plan illustrates many of the good merchandising principles this chapter discussed and several new merchandising concepts. Study it. Put some of the ideas to work on your sales floor. Improve on these basic ideas by adapting them to your store's needs. Note the width of the main aisles and cross aisles. Consider the plan from the shoppers' point of view. Think of the way the traffic flows around the store. You may not sell what you should in a given department simply because very few people pass through it.

This plan makes it easy to move merchandise onto the sales floor, into shopping carts, to the point-of-sale terminal, and into the customer's car. The plan will help you pick up ideas to improve your sales floor's efficiency and selling efforts.

Make Remerchandising Easier

An effective sales floor is not attained, it is maintained. Since the merchandise you sell and the market and shoppers you serve change continuously due to changing needs and interests, it is obvious that you must re-merchandise your sales floor often.

This is a tremendous chore, but when you plan carefully and approach the job in an organized way, you can do it with a minimum of effort.

Here are five rules:

- List all improvements to be made.
- Assign a priority for each job to be done.
- Secure the merchandising aids you need to do the job.
- Advise everyone in the store what you plan and how they may be involved.
- Make each remerchandising project a merchandising training session and practice good merchandising techniques.

Promotional Activities

Although hardware stores and home centres are not as promotional as many retailers, there is no reason why they cannot be and the most successful when promoted regularly. Why promote at all? Because you want to attract more people to the store than would come without the promotion. You are trying to do two things: maintain your average sale per customer and increase the number of sales. The more shoppers who visit your store, the more you will sell.

What can a promotion do? A well planned sale or promotion:

- Can gain new customers for the store.

- Will encourage repeat sales.
- Can counter a competitive move.
- Will introduce new or improved products.
- Can capitalize on seasonal or geographic advantages.
- Can reduce excess inventories.
- Can create enthusiasm among the store's salespeople.

A promotion no matter how well planned cannot:

- Turn overpriced merchandise into profitable volume.
- Overcome the impression of a dirty, disorganized store.
- Compensate for inadequate advertising.
- Reverse a downward sales trend for any length of time.
- Overcome an inadequately trained sales force.

Promotional Objectives

Retailers sometimes confuse advertising with promotion. Advertising is calling favorable attention to your store and the products you sell. The ad announces the promotion "the Anniversary Sale or the Summer-End Sale" it is not the promotion itself. Before any promotion, there are a number of questions you should answer. What are the promotion's specific objectives? What are we trying to accomplish? Build traffic? Clear out end-of-season merchandise? Establish the store as the place to buy hard-to-find tools? Announce a new location? What specifically is the promotion expected to do? Who is the target? What is the competition doing? Is there a seasonal aspect? How long ago was the last promotion?

What promotions can we run?

A hardware store or home centre has a number of promotional opportunities that many other kind of retailers either do not have or are not organized to exploit. For example, you can run a Do-It-Yourself consumer show. You can offer clinics on minor electrical repairs, plumbing repairs, redecorating, and other subjects. You can demonstrate new products and new uses for old products. Many people especially women find a hardware store intimidating, and unless a shopper knows how to use a product, he or she will not buy it.

Preparing the Store for a Sale

Your sales floor should create a sales atmosphere. Make it easy for shoppers to identify the advertised specials with attractive signs and features display. Use departmental signs so customers can find what they want without bothering you for simple directions. A good ad can be wasted if a shopper cannot find what he wants or if the sales people are unprepared or rude. Clear all the aisles and leave them wide enough for shoppers to browse without bumping into each other. Remember that customers do not really want products. It's the old joke: No one wants a drill, but everyone wants a hole. Your advertising will attract two kinds of shoppers, both of whom want a hole; however, the first kind of shopper knows what he wants and wants fast service. He does not demand a lot of conversation and you can serve him best with complete and well-marked displays.

The second kind of shopper needs help. Your promotion attracts him to the store, but he needs help to select the right size, type or model to buy. You serve this customer best by providing courtesy and product knowledge. How else can you prepare the store? Give shoppers a chance to review your offers with ad reprints as they enter.

Put a copy in their bags as they check out. Not everyone who comes into the store during the promotion knows you are having one: Tell them about it. Give shoppers a copy of your ad and encourage them to return for an item they have overlooked. Help featured items get more attention with a counter card that jumps out at a shopper. A bold headline "As Advertised" or "Featured Item" should dominate the card with the item's price, the savings involved, and if space is available, the item's picture as it appeared in the ad. Make one for each featured item. It gives you a professional look at little expense. Everyone likes to save money. A sale price draws customers into a store; however, many "sales" are a deception. The items are not specially priced. Customers have learned this and have become skeptical of the "bargains" some stores offer. To help protect your store's reputation:

- Put a "Sale" tag on every reduced item.
- Show the regular price and the sale price so the shopper can see what he saves by buying during the sale.
- Be sure sale price offers a genuine savings.
- Make sure that identical items carry identical prices. When a shopper finds three different prices on the same product, he wonders about the store's professionalism at the very least and the store's morality at the worst.

Set-up Window Displays

To make shoppers and passers-by aware of your promotion, display your ad and the featured item in your store window, when possible, setting up the display before the ad runs.

Prepare Yourself for the Sale

People make the difference between a successful sale and a flop. The store is not ready for a promotion until every salesperson knows what is advertised. They have to know where the item is located on the sales floor, its regular price and its sale price. And even more important, they have to know how the value of a sale item compares to a comparable item at a regular price.

The shopper may come to the store to look at the 1/4" drill you advertised, but he may really need a 3/8" reversing drill.

The salesperson does the customer and the store a disservice if he does not point out the more expensive drill's benefits. At the same time, he does not criticize the drill on sale, and if the customer decides that is the drill he wants, that is the drill he is sold. But to help customers find the best buy, the salesperson has to know as much as he can about all the products the store sells. Read literature, study product tags, listen to what shoppers say about products, and read all you can about new products in the trade press.

Establishing Customer Needs

Customers have many choices when they think of buying something. The merchandise is seldom the primary reason a shopper selects a particular store.

Many consumers, for example, do not see any difference between a home centre and a discount store; they tend to see home centres as a specialized discount store. One of today's challenges is to make hardware stores and home centres look and feel different from discount chain stores.

Don't be afraid to be creative. Do make your sales-floor and your store an easy, pleasant place to shop. In the next decade the standard performance of the 20th century will not be acceptable and the outstanding performance will be only average.

The ultimate goal of retailing is to bring together supply and demand; to provide consumers with a selection of goods and services that satisfy their needs profitably. During the last 30 years, retailers have made considerable progress on the supply side, developing sophisticated logistical systems to streamline product distribution, manage inventory, allocate shelf space efficiently, and replenish stocks on a just in time basis. Stores can now do a much better job of providing consumers with the right product at the right place at the right time.

Retailers continue to have difficulty creating shopping environments that engage consumers' needs and convert these desires to purchases. One critical concern is with product proliferation and duplication. Manufacturers rely heavily on line extensions to increase volume, and retailers (often mistakenly) believe stocking more products means selling more products.

The 10 Principles of Retail Shoppability

The 40 of The World's Best Stores analysis and as well as an extensive review of prior academic and commercial research identifies 10 principles that can help retailers improve the shoppability of their stores, leading to increased sales and customer loyalty. The most effective application of these important business-building rules results when retailers and manufacturers work closely together to meet the needs of their shared consumers. In contrast to the often misaligned past efforts of stores and their suppliers, these two groups must now cooperate to:

- Show the Product.
- Provide Effective Navigational Aids.
- Simplify Product Organization and Presentation.
- Minimize Clutter.
- Maximize Product Affordance.
- Showcase New Items And New Ideas.
- Make The Shopping Experience Convenient.
- Speak with Authority.
- Maintain Flexibility.
- Measuring and Managing Retail Shoppability.

Unfortunately, most merchants and suppliers do not have the tools required to measure and manage retail shoppability for their unique customers, products, and contexts. Retailers typically

assess store performance using measures like change in same store sales, gross margin, direct product profit, sales per square foot, and return on inventory investment. While these metrics can help guide store operations and improve productivity, they provide little insight into the best ways to improve the customer experience. They have the inherent limitation of being based on sales that have already occurred; that is, realized demand. But what about demand that has not yet been converted to sales? The retailer may lose the opportunity to satisfy consumer demand because it is difficult for shoppers to find the desired merchandise, the store carries the wrong product assortment or presents it in an unappealing way, it charges too high a price, provides poor customer service, or has long lines at the register, among other reasons. Sales data alone provide no insight into these purchase obstacles or the potential level of unrealized demand.

By the time a customer walks into your store, he or she has received several impressions about you from your advertising, word of mouth, your store front, and now your product display. This is your last chance to make a good impression. You can create an effective product display after determining what type of image you want your store to project to your community and your customers. Some dealers prefer to present their merchandise in an informal country store environment and other dealers prefer displaying their merchandise in technically advanced learning or demonstration centres.

Consider the following when creating product displays that work:

- "Live" display products are easier to demonstrate to the consumer.
- Kitchen or Home Theatre vignettes are great ways to display how the product may look in the home.
- Plan how your customers will flow through your store to increase sales in certain products. Showcase products in high traffic areas.
- Product displays should be easy to locate. Proper signage can help guide customers and make it easier and more pleasant for them to find products and services customers to compare size, price, and features of products and makes it easier and convenient for your sales people to sell them. The display should make it easy to step to logical price points.
- Increasing the number of models you display can give your customers the impression that you are committed to the business, your price is competitive, and that they can find what they need in your store. Visit a store to see the effect of what a deep display can do. However, it is critical to keep in mind that reasonable inventory turns must be maintained.
- To maximize space, make use of vertical displaying where appropriate for Built-in Ranges, Microwaves, etc.
- Utilize P.O.P. materials that enhance the sell through of the product such as pointing out key benefits or specials. Be careful not to clutter up the product.
- Your store should be inviting and a comfortable place to shop.
- Use appliance display fixtures and special lighting to enhance your display as well as your image.
- Put in a small children's play area with toys as a convenience to parents while they shop to help them concentrate on a major purchase.

Summary

Customers have many choices when they think of buying something. The merchandise is seldom the primary reason a shopper selects a particular store. Many consumers, for example, do not see any difference between a home centre and a discount store; they tend to see home centres as a specialized discount store. One of today's challenges is to make hardware stores and home centres look and feel different from discount chain stores. Don't be afraid to be creative. Do make your sales floor and your store an easy, pleasant place to shop. In the next decade the standard performance of the 20th century will not be acceptable and the outstanding performance will be only average.

Don't be afraid to learn from the masters of display. Take these techniques and adapt them for your displays.

1. Angled merchandise: Use angled containers or risers to present merchandise.
2. Colour: Contrast colours of products to create irresistible displays.
3. Containers & Props: Mound products in attractive baskets and bins With these display techniques, you can tempt your shoppers to leave your shop with more than just one item in hand.

Your strategic placement of displays clearly states to your customer how you plan to conduct business and how you plan to respond to your customer's unique needs. It also makes it easier for the sales staff to close a sale as well as enhance profitability.

Exercise: Assignment

1. Visit a retail store and observe how to organize the display of products at the retail store.
2. Visit to a retail hyper market on-the-job on how to establishing customer needs and satisfy in them with sales presentation and demonstration.

Assessment

A. Fill in the blanks

1. _____ help in gaining new customers for the store.
2. _____ will encourage repeat sales.
3. Your strategic placement of displays clearly states to your customer how you plan to conduct business.
4. _____ can create enthusiasm among the store's salespeople.
5. To maximize _____ make use of vertical displaying where appropriate for Built-In Ranges, Microwaves, etc.
6. Utilize _____ that enhance the sell-through of the product such as pointing out key benefits or specials.
7. Your store should be _____ and a comfortable place to shop.
8. Use _____ display fixtures and special lighting to enhance your display as well as your image.

B. True or false

1. Display slow-moving and low-priced items nearest from the customer's reach.
2. Always use remote display space for high-demand, seasonal, impulse, or promotional items.
3. Use point-of-sale signs to call attention to hot items in each department.
4. The best selling height on any display is between eye and belt level.
5. Action, light and colour do not attract attention to any display.
6. No display is fully effective or complete until the merchandise is priced.
7. If feature displays do not blend with other displays around them, they may repel rather than attract.
8. Keeping displays neat and well stocked is one of the most effective "tricks" in merchandising.

C. Activity

Suppose that you are working in a retail outlet and a task is assigned to you for framing effective visual merchandising. How you will complete this task?

D. Discuss the following

1. Sample sales floor plan
2. Shelf placement
3. Store planning

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Differentiate between ordinary display and visual display tools and techniques.
- Distinguish between general merchandising and visual merchandising.
- Analyze the store planning procedures.
- Differentiate between customer desires and needs.

Part B

Discussed the following in the class:

- What do you mean by display of products?
- What are the tools used for visual display?
- State the elements of effective visual merchandise.
- Elaborate store planning techniques.
- What are the display methods using for retail luxury products?
- How to evaluate effective merchandising and state the specific merchandising suggestions.
- What kind of merchandising rules followed while display of products.
- Explain promotional activities to attractive customers.
- How to estimate customer needs?

Part C

Performance Standards

The performance standards may include but not limited to:

Performance Standards	Yes	No
Distinguish between ordinary and visual display tools and techniques.		
Identify the display techniques in the retail store.		
Able to estimate and establish customer needs.		

SESSION 2: SALE AND DELIVERY OF PRODUCTS

Relevant Knowledge

Processing the Sale of Products

Customers have evolved their shopping practices and use multiple channels to search, compare and purchase products and services. For example, of the 40% of consumers who own smart phones, 70% use them while shopping in stores (Google & IPSOS OTX, April 2011). While online shopping sites provide an array of tools that help customers gain insight during the purchase decision process, retailers provide few such tools in stores. Customers are turning to their own devices to support decision-making in stores, and as such smart phones are becoming an integral part of the shopping experience.

The next big challenge for retail is to determine how to use smart phones to engage with customers and drive purchasing by providing key insight during the purchase decision process. Retailers who can provide effective decision-making tools for in store customers will open up a new channel through which to market and sell.

Traditionally retail technologies have focused on providing business insight to store management. Now that customers are entering stores with technology in hand, the focus must expand to providing product insight to the customer as well. By providing customers with product insight, retailers can provide a differentiated experience that increases loyalty, which can in turn increase revenue.

How do you provide insight during the purchase decision process? By determining a customer's context (see next page) and leveraging that knowledge to provide a customized in-store shopping experience. While customer databases can show what a customer's purchase patterns are, they say little about whom the customer is and what they are trying to achieve. Customer databases provide a view into people who decided to purchase but miss the potential customer who wanted to purchase, visited your store, and left without buying. To better serve customers and increase sales, retailers will need to learn more about who their customers are, what their needs are, and provide them with relevant insight into the products and services available.

Accenture has developed an approach to providing customers with insight that involves combining

new forms of customer data with traditional forms and leveraging this new view of the customer to create a set of services to aid the purchase decision process. This approach uses a combination of social media profile data, customer purchase history, and customer behavior logs as forms of context to describe customers. Social profile data provides a much more descriptive and accurate profile of customers and is a largely untapped source of information. Although customer behaviors are tracked online, routinely very little information is collected about customer behaviors in stores. Combining social profile and customer behavior data with customer purchase history can create a rich picture of the customer, which retailers can use to better segment customers. Based on those segments, decision support services can be created for customers who would-

1. Help them find the right product and customize that product to their needs.
2. Offer more than a sales experience, but a service that places shopping support in the palm of the customer's hand.
3. Establish a new channel that enables direct communication with the retailer. This channel would allow retailers to learn more about the customer continually, and tune the in-store experience accordingly.

Increased "show rooming" – using the physical store to explore the merchandise and subsequently purchasing from the online vendor with the cheapest price suggests customers are not being engaged in physical stores. As a retailer, you can reclaim your customers by engaging with them as they search and evaluate products in store. The first step in our approach is learning who the customer is. Social profiles provide data including gender, employment history, educational background, hobbies, and interests (including TV series, movies, brands, etc.). This contextual information can be used to make inferences about what types of information and products would be of interest to a customer. Logging the actions of customers while they are in the store can further enhance this data. The next step in our approach involves using this enhanced awareness of the customer to create services that support decision-making in the physical store. For example, a tailored experience can be crafted to engage the customer while in store and support her through the stages of the purchase decision process from awareness to purchase. A few strategies to accomplish include:

- personalizing product content.
- using the activities and sentiment of friends (and similar people) to filter product choices and provide opinions.
- providing access to social networks to solicit opinions.

By engaging customers in these ways, you open a new channel for communication, which can be used to drive sales and increase trust. Each of these strategies can be integrated into a service you can make available to your customers. Services Based on Insight Personalized Product Content Retail stores currently provide a consistent experience across customers. Every customer that comes into the store is presented with the same physical space, same information and same products. Furthermore, customers are exposed to all products even though not all of them are relevant. By making the store experience more personal, the customer can better navigate product choices and feel more confident about making purchases in the store. Smart phones provide a

mechanism by which an experience meant for everyone can be personalized with little change to the physical store. Many retailers already provide their customers with mobile apps for their smart phones. By using Face book Connect TM as a login service for the app, the smart phone can be used to collect social profile data to learn more about the customer. With this context, a customer can be classified into one of a few predefined customer segments. For each segment, a custom experience can be designed to address the needs of customers in that segment. Technologies such as augmented reality and QR Codes can be used in the physical store to connect physical products with digital content that is tuned to the user's needs. The smart phone can also be used to collect data on the customer's browsing behavior.

This information can be combined with social profile data and purchase history to further personalize the experience. For example, consider a customer in the market for a new TV. Given her Face book interests in music, movies and gaming, and her recent online browsing of smart TVs, the TV descriptions displayed in the retailer's smart phone app could be tuned to highlight relevant features. This could include displaying the movie and music streaming apps available, and the suitability of the display and audio for gaming and movie watching. Using this strategy, the customer benefits from a more personalized shopping experience and get the support needed to reach a purchase decision in-store. In exchange for some personal information, customers can access an experience that surpasses the traditional one. This can take the form of relevant recommendations, ratings, information presented in the most easily consumable form, access to the experiences of friends, and more. For its part, the retailer gets to differentiate itself from its competitors and increase customer loyalty. The use of a smart phone as a shopping tool in the store provides retailers with access to the behaviors of customers and insight into how they interact with products. This data can be used to make decisions about store configurations and associated product placements. Providing a valued custom service opens up access to a wealth of information that retailers have traditionally found difficult to collect.

Although more information about customers can certainly be useful, retailers must tread carefully where customers' personal data are involved. Some customers may be quite reluctant to provide this type of information to the store, so retailers must avoid asking for more data than they need and must take every measure to protect the customer's privacy. By earning the customer's trust, retailers can enhance the customer experience while increasing their ability to sell. A reputation for sloppy handling of customers' data is one of the fastest ways to at minimum damage relationships with individual customers and even worse the public at large.

Easy Access to Feedback

Most of the feedback we've discussed so far has been "implicit," meaning that the activities of others are provided to customers as a gauge for opinions about that product without any explicit effort on the customer's part. An additional strategy involves providing "explicit" mechanisms for customers to reach out to their social networks to get direct feedback and recommendations. Retailers could enable Tweeting, Face booking and Posting products to other social media directly from the store. This provides additional insight to help the customer make a decision at the point of purchase. For retailers, there's an inherent benefit when customers solicit feedback because they're making

others in their networks aware of attractive products that the retailer sells. Social network users often make requests of their entire network, although only a limited set of people may be able to provide useful feedback. As a result, customers could potentially nudge others into considering the same or similar products, thereby increasing the retailer's reach.

Point-of-Sale Procedures

The 'Point-of-Sale' is where the customer comes to pay for his/her purchase. This will be the last place the customer will remember while in your store. So it is important that you are able to process transactions accurately and efficiently, leaving the best possible impression with the customer. This is where the sales assistant completes the sale using 'Point-of-Sale' equipment is better known as a cash register. There are numerous types of cash registers. The type used by a retailer depends on many factors such as the size of the shop, the information required by management compiled by the cash register, type of products being sold and the age of equipment.

There are several pieces of equipment at the Point-of-Sale. They include:

- Cash register.
- EFTPOS machine.
- Scales.
- Scanners.
- Imprinting machines.
- Conveyor belt.
- Phone or Microphone for announcement/public address system.

Handling Cash: Handling cash is an important part of your work. Here, mistakes (albeit honest ones) can often be made and this needs to be avoided. It costs the store money, upsets customers and damages reputations including yours. When receiving cash or passing over cash to a customer, state the amount 'loud and clear' and ensure that the customer agrees with the cash transfer. This also holds true when dealing with colleagues. For instance, when requesting change from another cash register. Ensure you both agree on the amount being exchanged.

Cash Register Security: Stores have in most cases strict rules when it comes to handling cash, maintaining the security of stock, merchandise on display and other valuable assets. It is unfortunate that there are times when cash and/or merchandise is stolen by dishonest employees. This can lead to immediate dismissal and criminal prosecution. Store opening and closing times are high danger periods for robbers or thieves. Be constantly aware of persons lingering in the store and behaving suspiciously. Immediately alert other staff and managers of your concerns. The Point of-Sale area (with the cash register located there) is often a key target to unscrupulous visitors to the store. There are documented tricks that these persons use to lure you away from the cash register or distract you for long enough to enable them to steal cash from the register. As a security measure follow these simple rules.

- Never leave the cash register open at anytime unless you are using it.
- Never face away from an open cash drawer.

- Never provide your staff code to anyone.
- Always lock the register when leaving the station.
- Never leave the key in an unattended cash register.
- Have the cash cleared on a regular basis so as not to hold too much cash in the register.
- Do not be distracted while using the cash register.
- Never leave cash lying around.
- Never stop to talk with customers or staff while carrying cash from one place to another.
- Use common sense and be alert to suspicious persons or situations.

Delivery of Products to Customers

A "perfect storm" created economic and demographic shifts that "has accelerated the deployment of strategies that act on customer intimacy and innovation imperatives," said Duncan Angove, General Manager and Senior Vice President, Oracle Retail, to more than 120 retail executives at the 2010 Oracle Retail Crosstalk conference. "Now that retailers are not opening as many new stores they are focusing on productivity within existing stores. They are thinking like marketers and acting like merchants." To that end retailers are delivering new brand experiences, through the use of new technologies including mobile applications and social media, and they are reorienting their retail business model around the customers. Customer Intimacy continues to be the latest buzzword. With ever-increasing ways to share information with their peers and retailers, consumers know what they want, when they want it and how they want to receive it and they will settle for no less. Retailers must respond by identifying these demands and meeting them in efficient, effective and innovative ways.

The following four strategies highlight some of the most significant ways retailers can become a more meaningful part of their customers' lives:

1. Deliver on the Brand Promise.
2. Embrace Cross-Channel Retailing.
3. Renew Focus on the In-store Shopping Experience.

This white paper will delve into each of the four strategies, highlighting some real world retail examples that will help to catapult retailers successfully into the Merchandising 2.0 world.

1. Deliver on the Brand Promise

Having the right tools in place can go a long way to helping retailers ensure they are delivering the products and pricing that meet the brand promise. If shoppers are more confident that the products will be available and in-stock at the moment they want to buy an item, they will be more likely to return to that retail store and/or brand. "Two years ago the retail industry was losing $90 billion due to out of stocks," said Greg Buzek, President of IHL Services. Some retailers were losing more than seven percent in same store sales due to out-of-stocks, he noted. So retailers responded. "Last year we were quite surprised to see that in-store positions went up even though inventory went down," said Buzek. In order for retailers to successfully balance the out-ofstock/ overstock dilemma, they need to employ the proper tools.

Some of the tools Oracle provides to help improve brand relevance include Oracle Retail Size Profile Optimization, and Oracle Retail Markdown Optimization, all components of an overall Oracle Retail planning and optimization suite.

The Pep Boys is constantly challenged with having the correct auto part available to service whatever type of vehicle that is brought into its service shops. “So we installed our sourcing inside our service work order system,” said Ray Harrison, Project Manager, and The Pep Boys. Once the system knows the year, make and model of a vehicle then it can search the stock position of the part needed. “We can see the stock position in that particular store, in a neighboring store or the warehouse and it can be delivered within a few hours or overnight,” Harrison noted. “The product transfer is completed seamlessly by the system. In the old days (like a year ago) it was too hard to find an inventory position and service advisors were more likely to make an outside purchase” instead of finding the item within the Pep Boys system. Urban Outfitters, Inc. is implementing an order management system to look at inventory across stores and complete the transaction at the same time; noted Joe Agostino, Manager of Store Systems, Urban Outfitters, Inc. “We also are looking at implementing the system online so shoppers can look at in-store inventories”, he added. “This system will cut down on the paper (or e-mail) trail and the possibility of four stores getting an e-mail and potentially sending the item four times to one customer”. Nordstrom is using Oracle Retail Size Profile Optimization to create unique store size profiles for its apparel merchandise. “We believe the Oracle Retail Size Profile Optimization application will help us improve how we assort merchandise, helping to ensure we have the right merchandise at the right time for customers”, said Jan Walsh, Vice President and Business Information Officer, Nordstrom. The application also is helping Nordstrom cut costs by reducing markdowns and inventory levels. Tesco has been able to better focus on consumer demand for a growing array of merchandise with Oracle Retail Planning.

Now ranked as one of the top three international retailers with a presence in 13 countries and the U.S., Tesco has built an impressive operation to meet consumer demand, focused around proper planning to breed efficiency and the rapid movement of merchandise. The Oracle Retail Planning solution provided Tesco with a system capable of handling the new complexities of non-foods, such as color, size, and style for fashions as well as lead-times of many months. The new system integrates the entire product lifecycle, from building an initial merchandise plan to accommodating markdown optimization and in-season item planning. Wet Seal implemented Oracle Retail Markdown Optimization in order to more efficiently control markdowns running in the more than 400 mall based stores. Oracle Retail Markdown Optimization predicts the impact of markdowns before they are executed and determines the best time for markdowns to occur. This automated system considers customer profiles and shopping behavior. The fast fashion retailer executes two markdowns each week to promote and maintain assortment freshness and increase gross margin and gross sales.

2. Embrace Cross Channel Retailing

The bottom line for retailers today: Cross-channel shoppers are more profitable than single-channel shoppers. In 2010, 65% of retailers say cross-channel shoppers are either slightly

more or significantly more profitable than single-channel shoppers, as reported by the National Retail Federation (NRF) and Retail Systems Research (RSR) in the 2010 study titled "The Cross-Channel Wake Up Call." To meet the demands of these cross-channel shoppers, retailers should be focusing on converging their customer and inventory data across channels with the goal of creating a consistent brand experience. Two of the key tools Oracle provides to help create cross-channel consistency include Oracle Retail Store Inventory Management and Oracle Retail Returns Management.

Perry Ellis, both a wholesaler and retailer, sells from its own stores and websites as well as department stores and other outlets. The apparel retailer needed to provide common information across channels in order to become more efficient and meet customer demand. "Any change in inventory must be reflected in all our systems," said Luis Paez, CIO. Using Oracle Retail Store Inventory Management, Perry Ellis' wholesale and retail divisions are connected in order to create transparency between the businesses. Appreciate being provided new, reliable tools to make their jobs easier. These tools provide us accountability and visibility to the transactional item, an improved audit trail and insight to productivity. Customer service is also enhanced given the information we can now provide to our associates on the sales floor, along with the improvement to the overall in stock and inventory management.

Many retailers also are focusing on Oracle Retail Returns Management because it improves the customer experience by enabling quicker, easier and more accurate returns across all channels by providing associates with real-time access to return information. Additionally, returns management can reduce cross-channel fraud by organized criminals who commit same day returns with merchandise stolen from one channel and returned to another.

3. Renew Focus on the In-Store Shopping Experience

The combination of smarter and more demanding shoppers with a down economy is presenting retailers with one of the most challenging retail scenarios in recent years. The smarter consumers push retailers to deliver the most up-to-date and innovative technology solutions, while the down economy forces retailers to find the quickest ROI possible for any implementation.

"The challenge to provide ROI is the single biggest roadblock to improving the in-store experience and implementing new in-store technologies," according to the RSR study. But there may be a silver lining. "Retailers clearly sense potential for in-store technologies, and despite an inability to quantify results achieved, remain optimistic for future results." As many as 40% see Potential Value in software that schedules the right mix of labor so employees can complete all activities.

One of the primary Oracle solutions that address the labor issues specifically is Oracle Workforce Management. Particularly in a recessionary economy, improving workforce management is vital for improving in-store service. Many retailers also are focusing on better managing their workforce to create efficiencies and cut costs, in addition to providing better customer service. And there is no better time than the present to focus on the workforce. Sales

per employee were down in 2009 over 2008, according to Retail Horizons. Approximately 49% of retailers surveyed said that employees' top annual sales dropped dramatically, to $50,000 from $100,000 the previous year. In 2009, 47% of survey respondents cite Leadership Development and Associate Training as key initiatives.

What does it mean to be customer-centric?

- The organization and the store are built from the customer perspective in, not the retailer perspective out.
- The shopping process is easy to understand, and customers have more control over the entire retail experience.
- Customer information is appropriately used, by both the retailer and by customers, to enhance the shopping experience.
- The shopping experience is tailored to different customer needs and shopping occasions.

The following four strategic imperatives:

1. Build an organization that defines a shopping experience that evolves with changing customer expectations: Retailers need to build a dynamic organization that is aligned to listen to the customer so that it can continuously enhance and sustain customer satisfaction. This requires a commitment to innovate and experiment with new concepts and offerings.
2. Provide a truly convenient shopping experience: Stores need to be designed to create an environment that is easy to shop and provides customers with the necessary tools, information, and services needed to make an informed and confident purchase.
3. Develop an integrated view of the customer: Retailers need to achieve a foundational level of customer information integration that includes eliminating customer data silos and integrating fragmented pieces of data gathered across all customer touch points and channels. This level of integration allows retailers to deliver more seamless shopping experiences and also deliver more relevant offerings to customers.
4. Deliver a flexible product/service offering: Retailers need to be able to tailor their offerings to meet customer needs across different segments, local markets, shopping occasions and product categories. The store should be designed and operated with flexible options that allow customers to shop the way they want to shop.

Further, while it is critically important to embrace these imperatives, achieving an increased focus on the retail customer's perspective requires retailers to focus on execution excellence throughout their organization. In doing so, senior managers should focus on six major aspects of their business operating model: organization, people/process, information, tools/systems, format/merchandise, and IT infrastructure. We provide examples in three selected areas:

Organization: Precise execution comes from clarity of approach and alignment of incentives and performance measures that supports a customer focus. In merchandising, for example, a retailer

could consider moving the focus from products and product managers to customer segments and segment managers.

People/Process: Since store employees are integral part to delivering a customer centric experience, it will be important to reduce non-customer-facing administrative tasks and elevate training policies to emphasize "continuing education" versus a onetime event tied to a new capability rollout. The customer-centric store IBM Business *Consulting Services.*

IT Infrastructure: The next generation store is clearly dependent on a robust, flexible and enabling IT infrastructure. Thus, capabilities, such as the following, need to be provided and supported: new applications easily integrated with existing applications, a diverse range of devices and touch points for store employees and customers that are easily supported, and the ability to scale new applications and services in a timely fashion.

In the constantly evolving retail marketplace, the total retail experience can become a key source of competitive differentiation. By excelling at the strategic customer centric imperatives outlined in this paper, retailers can deliver a superior shopping experience that could result not only in consistently high customer satisfaction, but might also encourage customers to shop more often and spend more with their favored retailers.

Retail Market Complexity: The Rules have Changed

The retail marketplace is polarizing into a "world of extremes" forcing retailers to reorient their core strategies. Mega retailers dominate one end of the competitive spectrum and focused specialists the other. At the same time, increasing customer diversity and individualism is creating significant demand complexity.

Undifferentiated companies in the middle are facing tremendous pressure; many have failed and others are still struggling to find the path back to consistent growth and success. In this environment, the rules for how retailers operate and compete have changed. To a large degree, the traditional means of competitive differentiation can no longer be relied upon. For many retailers, strategies based just on price have been rendered ineffective as mega retailers have mastered the "mass" end of the marketplace with superior scale and efficiency. And traditional levers of competition, such as assortment, service and customer and market segmentation, which were once differentiators, can now be easily copied or competed away, if they are not somehow made proprietary. For example, home installation and repair services like those pioneered by Sears are proliferating across retail as competitors such as Best Buy, Home Depot and Lowe's offer similar services. At the same time, customer expectations continue to rise.

The Internet's nearly unlimited wealth of information has created customers that are accustomed to having instant access to price and product comparisons, independent third party reviews, and tailored recommendations based on their buying history. Their comfort with technology also continues to grow, as witnessed by the proliferation of mobile phones, Personal Digital Assistants (PDAs), video game players and other personal devices. The customer-centric store IBM Business Consulting Services. Furthermore, these information and technology-savvy customers are much more demanding about what they expect from the shopping experience. They are often much more

knowledgeable than store employees about the products, services and prices available in the marketplace, thereby raising the bar for what retailers and their store employees need to know to deliver a superior shopping experience.

Strategic Imperatives for Customer-Centric Retailing

1. Build an organization that defines a shopping experience that evolves with changing customer expectations. Retailers need to focus the entire organization on identifying, satisfying and evolving with their target customers' needs and preferences. Customers' expectations are evolving more rapidly than ever and retailers must be poised to respond. Customers want a store that not only understands how they want to shop today, but also adapts as their needs change over time. To achieve these ends, retailers should focus on three key areas.

   First, retailers must keep a laser-like focus on who their target customers are and how best to meet their needs. To accomplish this, retailers need to develop methods to keep in touch with customers on a regular basis, such as: spending time in the stores to observe who is shopping in the store and how they shop, having store employees capture feedback at point-of-sale (POS) or on the floor while serving customers, or directing customers to online surveys via a purchase receipt.

   Second, retailers need to commit to innovation and experimentation in formats, concepts and product offerings. One way of achieving this goal is too regularly develop prototype or test stores, such as Food Lion's Bloom store or Metro's Store of the Future. Prototype stores enable retailers to test nuances of their new strategies from a total experience perspective and do so without a major commitment in capital and resources. Build an organization that define a shopping experience that evolves with changing customer expectations Provide a truly convenient shopping experience.

   Develop an integrated view of the customer Deliver a flexible Product/service offering the customer-centric store IBM Business Consulting Services.

   Third, retailers need to take greater responsibility for the quality of store employees. Store employees are often a customers' first and last point of interaction in the store, and therefore hiring and developing the right people is essential. Retailers might consider using behavioral testing in the hiring process to determine whether potential store employees are customer-focused and are a good fit with the corporate culture. For example, leading U.K. retailer Marks & Spencer developed a screening process with SHL, a provider of objective people assessment techniques.

2. Provide a truly convenient shopping experience. Retailers need to create a more enjoyable and pleasing shopping experience that will keep customers coming back. Too often, customers wander around a poorly laid out store and exit frustrated and empty-handed because they could not find what they wanted. They abandon their shopping cart because they couldn't find an associate to assist them or the checkout lines were too long. Customers want a store that is easy to shop and allows them to accomplish their shopping goals with less time and effort. At the

same time, they are also looking for a store that provides them with the services and level of information needed to make an informed and confident purchase. Four key changes are necessary to deliver a convenient customer-focused shopping experience.

To begin, retailers need to improve navigation throughout the store via better store design and shopping aids such as store maps and product locators. Retailers could also redesign sections of their stores to better meet the needs of core customer segments or shopping occasions. For example, North Carolina-based Food Lion is testing a convenience offering in its new concept stores (Bloom) by placing certain staple items in the front of the store so shoppers looking to pick up a few essentials can quickly get in and out.

3. Develop an integrated view of the customer. Creating a shopping experience that is consistent and seamless across channels, across departments within the store and across customer touch points (such as call centers, direct mail, or in-store kiosks) is important. Customers are often frustrated with disconnected or interrupted shopping experiences where information is not readily available to enable them to easily complete their transactions. Customers want a store to retain and use relevant information so that they don't need to start over again with each transaction/purchase. Creating this consistent, flowing dialogue requires two key steps.

   First, retailers need to achieve a foundational level of customer information integration. This integration involves eliminating customer data silos which can otherwise lead to inconsistent versions of customer data. It also requires integrating heterogeneous pieces of data gathered across all customer touch points and channels which, when left fragmented, can often be a source of poor customer service and therefore customer frustration. Once this level of integration is in place, retailers can begin to deliver more seamless shopping experiences and more relevant offerings to customers. For instance, integrated customer information allows customers to easily move between different departments within a store (e.g., a store with a separate auto service center and retail store) during a shopping experience and not have to be asked repeatedly for their customer information. Or customers could begin a transaction at home (online) and continue this transaction in the store by accessing their profile through in-store Web access.

   Second, retailers need to let customers decide how much intimacy they want or need. Customer data must be used appropriately, and customer concerns for privacy must be guarded. Some customers feel uncomfortable that the retailer is tracking their shopping behavior to provide personalized offerings and prefer to remain anonymous. Others find real value from sharing demographic and preference data. Therefore, providing customers with the ability to opt-in to new offers and services is important.

4. Deliver a flexible product/service offering. With customer complexity continuing to increase, retailers must consider how to address customer needs and preferences across several areas including target segments, local markets, shopping occasions and product categories. Customers want a store that provides them with different shopping options to meet their particular needs, not a one-size-fits-all offering. The ability to deliver this flexible offering requires retailers to address four key steps.

Transforming the Organization and the Store

As we mentioned earlier, customer centricity is not a one-size-fits-all formula. Each retailer must develop a go forward plan that incorporates its particular value proposition and its target customer needs. Our approach to moving ahead toward building greater customer centricity involves three key steps:

1. **Determine the Customer Experience Vision:** Align your ideal shopping experience with the company's core value proposition and your customers' needs and expectations. Assess any gaps between your customers' perceptions and what you are trying to achieve. Then, assess your ability to deliver on the four customer-centric strategic imperatives. The customer-centric store IBM Business Consulting Services.
2. **Evaluate and Prioritize your Investments:** Identify particular initiatives that can help the company achieve its vision. Understand the ROI for these investments and how they will impact the business in the long and short term. Take a self-funding approach to your investment portfolio. Prioritize "quick hit" projects first to fund longer lead-time initiatives that have higher costs and might initially be out of the scope of the company's abilities.
3. **Develop a Transformation Plan:** Begin execution of a change management and communication plan immediately to help ensure that the transformation of the company will be successful at every level. Assign benefits responsibility to senior leaders and embed realization of benefits into future operating budgets. Finally, determine a set of metrics and governance procedures to measure the impact of the initiatives and manage progress.

Key elements of a successful direct delivery business

- Well-organized customer list management.
- Consistent and well-designed marketing materials. These do a good job of highlighting what makes your farm different.
- Responsive customer service.
- Consistent, high-quality products.
- Clean and well-labeled packaging and delivery system.
- Proper labeling and licenses.

Most consumer goods are delivered from a point of production (factory or farm) through one or more points of storage (warehouses) to a point-of-sale (retail store), where the consumer buys the good and is responsible for its transportation to point of consumption. There are many variations on this model for specific types of goods and modes of sale. Products sold via catalogue or the Internet may be delivered directly from the manufacturer or warehouse to the consumer's home, or to an automated delivery booth. Small manufacturers may deliver their products directly to retail stores without warehousing. Some manufacturers maintain factory outlets which serve as both warehouse and retail store, selling products directly to consumers at wholesale prices (although many retail stores falsely advertise as factory outlets). Building, construction, landscaping and like

materials are generally delivered to the consumer by a contractor as part of another service. Some highly perishable or hazardous goods, such as radioisotopes used in medical imaging, are delivered directly from manufacturer to consumer. Home delivery is often available for fast food and other convenience products, e.g. pizza delivery. Sometimes home delivery of supermarket goods is possible. A milk float is a small battery electric vehicle (BEV), specifically designed for the delivery of fresh milk. A new form of delivery is emerging on the horizon of the internet age: Delivery by the crowd e.g. crowd delivery. In this concept an individual not necessarily contracted by the vendor performs the delivery of goods to the destination.

Exercise: Assignment

1. "Store employees are critical to an organization's ability to achieve its customer centric vision". Evaluate this statement.
2. Just visit to any retail outlet and observe the following activities:
   - How to operate Point-of-Sale equipment.
   - Clearing cash from the register.
   - Security relating to cash handling.
   - Holding proper amounts of change.
   - Security at the Point-of-Sale.
   - Solving transactional errors.
   - Maintaining documentation stock at the Point-of-Sale.
   - Dealing with delays at the Point-of-Sale.

Assessment

A. Fill in the blanks

1. Most consumer goods are delivered from a point of production through one or more points of _____ to a point of sale (retail store).
2. Products sold via catalogue or the Internet may be delivered directly from the manufacturer or warehouse to the consumer's home, or to an _____.
3. Some highly perishable or hazardous goods, such as radioisotopes used in medical imaging, are delivered _____ from manufacturer to consumer.
4. In _____ concept an individual not necessarily contracted by the vendor performs the delivery of goods to the destination.

B. True and false

1. The 'Point-of-Sale' is where the customer comes to pay for his/her purchase.
2. Retailers should provide greater customer satisfaction and loyalty through providing more relevant offerings to particular customer segments or groups.

3. Retailers should not try to increase basket size by giving customers options to choose the way they want to shop on a given day or for a given occasion.
4. To achieve an increased focus on the customer's perspective, retailers do not need to strategically align and foster execution excellence throughout their organizations.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Differentiate between delivery of products to customers and transportation of products in retailing.
- Analyze the imperatives of customer centric retailing.

Part B

Discussed the following in the class:

- What is processing of sale of products?
- Explain the point of sale discussions.
- What are the ways to delivery of products to customer?
- Explain the concept of retail market complexity.
- State the imperatives of customer centric retailing.

Part C

Performance Standards

The performance standards may include but not limited to:

Performance Standards	Yes	No
Demonstrated how to delivery the products to customers.		
Identify ways to delivery of products to customers.		
Able to explain the imperatives of customer centric retailing.		

SESSION 3: MAINTENANCE OF STORE AREAS AND COMMUNICATE EFFECTIVELY WITH STAKEHOLDERS

Relevant Knowledge

Maintenance and Cleaning of Store Area

It includes activities such as housecleaning that is, disposing of rubbish, cleaning dirty surfaces, dusting and vacuuming. It may also involve some outdoor chores, such as removing leaves from rain gutters, washing windows and sweeping doormats. The term housecleaning is often used also figuratively in politics and business, for the removal of unwanted personnel, methods or policies in an effort at reform or improvement.

Housecleaning is done to make the home look better and be safer and easier to live in. Without

housecleaning lime scale can build up on taps, mold grows in wet areas, bacterial action made the garbage disposal and toilet smell and cobwebs accumulate. Tools used in housecleaning include vacuum cleaners, brooms, mops and sponges, together with cleaning products such as detergents, disinfectants and bleach.

Regular cleaning usually involves cleaning everything in sight. However, house cleaning may also involve cleaning hard to reach areas, moving furniture and cleaning things that are not in sight. This can include the inside of an oven, inside of a refrigerator, and moving appliances to get those hard to reach areas.

Goals and Objectives of Maintenance Organizations

The goals and objectives of the maintenance organization determine the type of maintenance organization that is established. If the goals and objectives are progressive and the maintenance organization is recognized as a contributor to the corporate bottom line, variations on some of the more conventional organizational structures can be used.

The typical goals and objectives for a maintenance organization are listed.

Developing performance indicators for managing maintenance maximize production at the lowest cost, the highest quality, and within the optimum safety standards. This statement is very broad, yet maintenance must have a proactive vision to help focus its activities. The statement should be tied to any corporate objectives. It can be broken down into smaller components.

(a) **Maintaining existing equipment and facilities:** This activity is the primary reason for the existence of the maintenance organization. The organization gains no advantage from owning equipment or facilities that are not operating or functional. This component is the "keep-it-running" charter of maintenance.

(b) **Equipment and facilities inspections and services:** These programs are generally referred to as preventive and predictive maintenance (PM and PdM). These activities increase the availability of the equipment and facilities by reducing the number of unexpected breakdown or service interruptions.

(c) **Equipment installations or alterations:** Installing and altering equipment are generally not the charge of the maintenance organization; they are usually performed by outside contract personnel. However, maintenance must still maintain the equipment, so they should be involved in any equipment installations or alterations.

Developing Maintenance and Asset Management Strategies

1. **Objectives of Maintenance Management**
   - Maximum production at the lowest cost, the highest quality, and within optimum safety standards.
   - Identify and implement cost reductions.
   - Provide accurate equipment maintenance records.
   - Collect necessary maintenance cost information.

- Optimize maintenance resources.
- Optimize capital equipment life.
- Minimize energy usage.
- Minimize inventory on hand.
- Maximize Production.

2. **Reducing Costs is Sometimes an Overlooked Aspect of Maintenance:** However, a maintenance organization can help a company reduce costs in many ways. For example, a change in a maintenance policy may lengthen production run times without damaging the equipment. This change reduces maintenance cost and, at the same time, increases production capacity. By examining its practices, maintenance can usually make adjustments in tools, training, repair procedures, and work planning, all of which can reduce the amount of labor or materials that may be required to perform a specific job. Any time gained while making repairs translates into reduced downtime or increased availability. Downtime is more costly than maintenance expenditures. Before making adjustments to reduce costs, studies should be conducted to show the before and after results. This quantifying of improvements builds management support for maintenance activities.

3. **Provide Accurate Equipment Maintenance Records:** Providing accurate equipment maintenance records enables a company to accurately track equipment in such engineering terms as mean time between failure or mean time to repair. Success in this endeavor, however, requires accurate records of each maintenance repair, the duration of the repair, and the run-time between repairs. Larger organizations, for whom this activity produces a tremendous amount of paperwork, typically use some form of a computerized maintenance management system (CMMS) to track this information. But whether or not a computer is used, all of the maintenance data must be accurately tracked. This objective seems almost impossible to achieve at times. Maintenance records are generally collected as work orders and then must be compiled into reports showing meaningful information or trends. The problem is finding enough time to put valuable information on each individual work order. Because excessive amounts of maintenance are performed in a reactive mode, it is difficult to record events after the fact. For example, recording how many times a circuit breaker for a drive motor was reset in one week might seem somewhat insignificant to record on a work order. But, if the overload was due to an increased load on the motor by a worn bearing inside the drive, it could be analyzed and repaired before the equipment experienced a catastrophic failure. Accurate record keeping is mandatory if maintenance is going to fully meet its responsibilities.

4. **Developing Performance Indicators for Managing Maintenance:** Collecting necessary maintenance cost information enables companies to track engineering information. For example, by using life-cycle costing information, companies can purchase assets with the lowest life-cycle costs rather than lowest initial costs. In order to track overall life-cycle costs accurately, all labor, material, contracting, and other miscellaneous costs must be tracked accurately at the equipment level. This tracking is primarily an activity for the maintenance department.

In addition to life cycle costing is the need for maintenance budgeting. If accurate cost histories are not collected, how can the manager budget what next year's expenses will or should be? Maintenance managers cannot simply say to plant management, "we want to reduce maintenance labor by 10 percent next year". When they don't really know how the labor resources were allocated this year. Also if labor figures are only available in dollar amounts, the differences in pay scales may make it difficult to determine how much labor was used in total hours by craft. The information must be collected both in dollars and in hours by craft.

Where is This Information Collected?

Collecting the cost information is again tied to work order control. Knowing the hours spent on the work order times the labor rates of the individuals performing the work allows a more accurate calculation of the labor used for the work order. Adding up these charges over a given time period for all work orders provides the total labor used. Adding up the hours spent by each craft provides an even clearer picture of the labor resources needed. Material costs can also be determined by tracking to each work order what parts were used on the job. Multiplying the number of parts times their dollar value (obtained from stores or purchasing) calculates the total material dollars spent for a given time period. Contractor and other cost information also must be collected at a work order level. Each work order form should have the necessary blanks for filling in this information. Only by tracking the information at the work order level can you roll up costs from equipment to line to department to area and finally to total plant. Collecting the information at this level also provides cost information for equipment types, maintenance crafts, and cost centers. By utilizing the data gathered through the work order, detailed maintenance performance indicators can be developed.

Typical areas of waste in the inventory and purchasing function include:

1. Stocking too many spare parts.
2. Expediting spare part delivery.
3. Allowing shelf life to expire.
4. Single line item purchase orders.
5. Vanished spare parts.

It is important for the maintenance organization to focus on controlling spare parts and their costs. While the goals discussed thus far do not form a comprehensive, all inclusive list, they highlight the impact that a proactive maintenance organization can have on a company. Maintenance is more than a "fix it when it breaks" function. Unless the maintenance organization works with a proactive list of goals and objectives, it will always be sub-optimized.

5. **Equipment Service Level:** Equipment service level indicates the amount of time the equipment is available for its intended service. The amount of service required from the equipment, along with its resultant costs, determines the type of maintenance philosophy a company will adopt.

Maintenance Philosophies

- Reactive Maintenance.

- Corrective Maintenance.
- Preventive Maintenance.
- Predictive Maintenance.
- Maintenance Prevention.

Reactive Maintenance: In far too many cases, equipment is run until it breaks down. There is no preventive maintenance; the technicians react, working only on equipment that is malfunctioning. This approach is the most expensive way to coordinate maintenance. Equipment service level is generally below acceptable levels, and product quality is usually impacted.

Corrective Maintenance: Corrective maintenance activities are generated from PM inspections, routine operational requests, and routine service requirements. These activities make up the maintenance backlog and should be planned and scheduled in advance. This approach is the most cost-effective way to perform maintenance, reducing performance costs by 2 to 4 times compared to reactive maintenance. When the majority of maintenance activities fall into this category, equipment service levels can be maintained.

Preventive Maintenance: Preventive maintenance includes the lubrication program, routine inspections, and adjustments. Many potential problems can thus be corrected before they occur. At this level of maintenance, equipment service levels enter the acceptable range for most operations.

Predictive Maintenance: Predictive maintenance allows failures to be forecast through analysis of the equipment's condition. The analysis is generally conducted through some form of trending of a parameter, such as vibration, temperature, and flow. Preventive maintenance differs from predictive maintenance in that it focuses on manual tasks whereas predictive maintenance uses some form of technology. Predictive maintenance allows equipment to be repaired at times that do not interfere with production schedules, thereby removing one of the largest factors from downtime cost. The equipment service level will be very high under predictive maintenance.

An extension of predictive maintenance is condition-based maintenance, which is maintenance performed as it is needed, with the equipment monitored continually. Some plants have the production automation system directly connected to a computer system in order to monitor the equipment condition in a real-time mode.

This real-time trending allows for the maintenance to be performed in the most cost effective manner. Condition-based maintenance is the optimum maintenance cost vs. equipment service level method available. The startup and installation cost can be very high. Nevertheless, many companies are moving toward this type of maintenance.

Maintenance Prevention: Maintenance prevention activities focus on changing the design of equipment components so they require less maintenance. This type of maintenance uses the data gathered from the previous techniques to design out maintenance requirements. An

analogy of an automobile can be used. If the current day auto is compared to a 1970s vintage auto, a reduction in the maintenance requirements can be clearly seen. Tune ups are one of the main areas. 1970s autos required tune ups every 30,000 to 40,000 miles. New models require tune ups at 100,000 miles, with no degradation in performance. These improvements were studied, reengineered, and implemented. Plant and facility equipment today are no different. Maintenance prevention activities usually are supported by the maintenance engineering group.

Communicate Effectively with Stakeholders

Many applications can be provided to enable Staff Communications and Management, allowing store associates to work together for more effective operations and supply chain management. These communication solutions for retail enterprises include offerings that support associates on the go, including task management, mobile manager and manager dashboard. Other offerings include call box assistance, video analytics and video manager for real-time inventory alerts.

Retailers' communication strategies evolve as consumer media changes. Traditionally, retailers run advertisements and promotions to attract customers to the store. The introduction of loyalty cards gave retailers an opportunity to communicate regularly and build relationships with customers. The growth of social media and mobile communications is opening up new channels to interact with customers and make timely offers when they are close to your store. The most effective communication strategies are:

Awareness: The most important communications strategy is to make potential customers aware of your store and the products you offer. By advertising in local newspapers and printed directories, like the telephone book, you can make it easy for customers to locate your store. The online version of a traditional directory, as well as online consumer review sites and city-based business guides, provides local information for consumers who prefer to search online. You can also set up your own website with details of your location, opening times and product range to communicate with Internet users.

Relationships: To protect your customer base and increase repeat sales, adopt a communications strategy based on a loyalty program. Major retail groups operate programs that utilize loyalty cards. Customers swipe their cards at the checkout and earn reward points to use against future purchases. The cards also enable retailers to capture data on individual customer's purchasing preferences and make personalized offers on products that the customer buys regularly, encouraging their repeat business. You can adopt the principles of a loyalty program, without the database element, by offering customers vouchers or discounts against future purchases.

Mobile: With increasing numbers of consumers using mobile phones to get information on stores, products and local deals, you can develop a mobile merchandising strategy to communicate with consumers in your area. By participating in a service such as Foursquare, you can attract and reward customers by offering mobile coupons, prizes or discounts when

they check in at your store using a mobile phone to register their identity. According to the Foursquare website, an offer like a 5 percent discount on their next purchase will encourage Foursquare members to shop with you. Discount programs, including Groupon and Living Social, also have mobile applications to attract on-the-go customers into your business with a special offer. According to Living Social, 87 percent of customers who use a Living Social deal to visit a restaurant, plan to return to that business.

Social: A social media communication strategy can help you increase dialogue with your customers and get valuable feedback on your products and standards of customer service. You can set up a forum or comments page on your website where customers can share their views. You can also use techniques such as blogs to provide customers with news about your store and its products. "PR Week USA" described how a major entertainment retailer provides customers with a special newsroom where they can find news about entertainment, events at the store or recommendations on entertainment products.

Employees: Don't forget to include employees in your communications strategy. By keeping them informed on developments in the store, special customer offers and other product news, you can be confident that they are communicating the right messages to your customers, according to Chetochine Consulting Group. An electronic newsletter keeps employees up to date, while an employee forum on your website encourages employees to share views and tips on improving customer service. Our experience suggests that an effective contact strategy has six key characteristics:

1. An effective contact strategy combines customer needs, products, commercial requirements and channel skills and capacities.
2. An effective contact strategy spans all products and channels and is driven from centralised planning that transcends traditional product and organisational silos.
3. An effective contact strategy recognises that different channels have different capabilities and, therefore, different uses. For instance, it is possible to undertake much more effective relationship building in inbound channels than through direct mail.
4. An effective contact strategy recognises that the extent of the relationship is different for each customer, and that the content, frequency and objectives of customer conversations should recognise relationship status.
5. An effective contact strategy seeks to find the balance between what's right for the customer and what's right for the organisation.
6. An effective contact strategy aligns incentives and performance goals with commercial objectives and customer needs.

An effective contact strategy is not a PowerPoint presentation or a set of static rules in a database marketing system; it is best evidenced by a new operational debate that aligns commercial requirements with customer need in a fact based and timely manner.

We have been working with many our clients for the last eight years to help them design and implement effective contact strategies that exhibit each of these characteristics. We have found that

there are four critical capabilities that need to be put in place in any situation where effective contact strategy is a goal:

High performance, fully integrated sales planning based on customer need, relationship status and commercial requirements.

Effective contact strategy requires an effective forward planning capability across all marketing activities. This will bring together all relevant information, objectives and constraints in a planning system that supports timely evaluation of future plans and you should be able easily to see the effect of changing core assumptions or introducing new performance constraints.

This system will require streamlined business processes to ensure plans can be developed and modified within short time frames and minimal effort.

Streamlined marketing operations that can routinely drive communications across all channels in the full knowledge of customer needs, relationships and contact history.

With five or six key channels and fifteen products to manage, your processes and systems need to be able to support hundreds of campaigns in parallel, with many executing daily.

Your information management capabilities (people, process and technology) need to be able to react to a full range of lead generation activity, from event recognition through to gathering and using customer volunteered information, on a daily basis.

Highly effective sales and relationship building capabilities within all core channels. By bringing together all of the relevant contextual information and aligning sales targets with customer needs it is possible to boost cross sales activity and increase customer satisfaction, sometimes by as much as 20%.

With thousands of front-line agents managing millions of customer interactions, the opportunities for revenue generation and relationship building are huge. Providing the right information to front-line staff to enable them to deliver the right communications at the point of contact is a business and technological challenge that we have helped many clients to overcome.

Timely and accurate performance management systems that show quickly and accurately not just how your bank is performing against plan, but also which elements of the plan are working and which are underperforming.

You should be able to drill down from an overall view of performance against budget all the way to an individual call centre agent.

In essence, these capabilities combine to form an ever evolving customer management capability.

To organisations who adopt this new capability it provides four clear benefits:

- From a revenue standpoint, customer driven planning processes are quicker to execute and always provide better results. Planning efficiency is improved to provide the business with a far greater degree of commercial control and visibility than is possible today with current highly devolved and complex matrix business management approaches. Sales effectiveness is

increased by taking a "customer first" or next-best-activity approach, sometimes by as much as 80%.

- From a cost standpoint, clear customer level planning and strong automated information gathering and offer prioritisation mechanisms efficiently delivered into marketing channels significantly reduces the need for localised efforts in data mining and "screen walking". As a result, front-line staff can spend more time building more effective relationships with customers.
- From a customer perspective, an effective contact strategy greatly enhances the ability of a Retail Bank to meet expectations by delivering appropriate, coherent sales and relationship building messages across all channels. This improves the strength of the brand, the perceived usage value of the products and the quality of the Customer Experience.

In summary, this is a capability that can be used to continually adapt to new circumstances. It is a capability that is designed to find a new balance between competing objectives with a business balance that senior executives are both fully aware of, and can also be entirely comfortable with the underlying assumptions. This capability has four dimensions:

People and Organisation: The availability of high-calibre, well-trained, motivated people working in an effective organisational structure, is essential to successful contact strategy.

Process: Effective business and technical processes are needed to underpin the streamlined marketing operations, effective and efficient planning and high quality communications required for effective contact strategy delivery.

Information Management: Effective contact strategy is dependent on high-quality information, and on well-designed information management systems.

Supporting Technology: A range of supporting technologies will be required to support effective contact strategy design and delivery.

We generally encounter significant gaps between what is needed to implement an effective contact strategy, as defined above, and that which exists in any given client situation.

The critical issues in these cases are around (i) quantifying the size of the prize and (ii) establishing the most effective route to realising value.

- In-Store Communications.
- Focusing on the consumer.

While competitive pressures continue to mount, conventional advertising formats are losing their bite. In response, there is a need for new communications channels that not only measure up to changed market conditions but also meets the expectations of today's sophisticated consumers. The overriding goal is to help retailers and service providers fulfill their basic mission: win new customers, build their loyalty, and increase sales.

- Flexible communications at the point of sale.
- In-Store Communications (IC) from T-Systems is designed for all companies that have brick-

and mortar outlets and that interact with customers face to face. It is a solution that delivers precisely targeted communications at the point-of-sale (POS). IC comprises the following modules:

Digital signage: Your very own in-store TV channel.

Multi-Service Spots: Electronic kiosks, your shop-in-shop.

Take advantage of tomorrow's digital marketing and communications technologies today: with TV formats that are tailored to your customers, and with the interactive payment and/or information services of your choice. Revolutionize customer communications by means of versatile, dynamic channels that provide up-to-the minute information.

Exercise: Assignment

1. Visit to the retail store and find out the process to maintenance and cleaning of store area.
2. Visit to a hyper market and observe what are the communication methods using to effectively communication with stakeholders.

Assessment

A. Fill in the blanks

1. By keeping _____ informed on developments in the store, special customer offers and other product news, you can be confident that they are communicating the right messages to your customers.
2. An _____ keeps employees up to date, while an employee forum on your website encourages employees to share views and tips on improving customer service.
3. An effective _____ combines customer needs, products, commercial requirements and channel skills and capacities.
4. An effective contact strategy spans all products and channels and is driven from _____ that transcends traditional product and organisational silos.

B. True or false

1. An effective contact strategy do not recognises that different channels have different capabilities and, therefore, different uses. For instance, it is possible to undertake much more effective relationship building in inbound channels than through direct mail.
2. An effective contact strategy recognises that the extent of the relationship is different for each customer, and that the content, frequency and objectives of customer conversations should recognise relationship status.
3. An effective contact strategy seeks to find the balance between what's right for the customer and what's right for the organisation.
4. An effective contact strategy does not align incentives and performance goals with commercial objectives and customer needs.

C. Explain the role of following things in effective contact strategy

1. People & organisation
2. Process

3. Information Management
4. Supporting Technology

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Differentiated between maintenance and cleaning of store area.

Part B

Discussed the following in the class:

- What are the activities of maintenance and cleaning?
- State the objectives of maintenance organizations.
- Explain the major strategies of developing maintenance and asset management.
- Analyze how to communicate the information effectively with the stakeholders.

Part C

Performance Standards

The performance standards may include but not limited to:

Performance Standards	Yes	No
Identify the activities of maintenance and cleaning.		
Identify the strategies for developing maintenance and asset management.		
Identify the effective communication tools for communicate the information to the stakeholders.		

SESSION 4: DUTIES & RESPONSIBILITIES OF SALES SUPERVISOR

Relevant Knowledge

Retail store manager hire, fire, train, develops staff, motivates, insure the store makes its sales figures, makes sure all directives are completed in a timely manner, communicates corporate information to staff, usually does schedules, display merchandise, and depending on store and staffing availability does what ever it takes to insure the store runs smoothly, the clients are number 1, and there is a good return of clients and helps bring in new clients, and protects the store merchandise from loss. Also usually opens or closes store and has the responsibility of caring the store key. Has to make sure the store is inviting, clean and delegating projects to staff. Actually there is a lot more their job is endless because when anyone is in customer service industry you need to do whatever it takes to please the client anyone is dealing with clients.

Sales supervisors usually work for retail establishments that sell clothes, appliances, furniture, cell phones, electronics and office supplies. They can also work in the cable or satellite television

industry, at government offices or in financial services. A job description of a sales supervisor usually includes various sales support functions that help the retail salespeople improve their job performance. Sometimes, the job description of a sales supervisor is to assist a sales manager, provided that there is a distinction between the two positions.

Significance: The job description of a sales supervisor mainly includes leading and motivating the sales employees toward achieving the sales objectives of the company or retail establishment. These objectives usually entail driving sales volume in terms of both units and dollars. The job description for a sales supervisor may also entail using existing promotional tools or point-of-purchase materials to increase the stores or company's sales volume.

Identification: A sales supervisor's job description can also include hiring new sales employees, ensuring that they fill out the proper paperwork such as I-9 and W-2 forms and getting them properly trained on sales techniques and the cash register. The job description for a sales supervisor can also include monitoring an employee's progress, conducting performance reviews, creating action plans for sales representatives that are under-performing and, sometimes, firing employee.

Function: The job description of a sales supervisor often include setting work schedules for sales employees, ensuring that all shifts are covered and making sure employees adhere to the dress code and company standards when dealing with customers. The job description for sales supervisors will often have them waiting on customers and up selling, especially during busy hours or at certain times of the year such as holidays.

Other Responsibilities: The job description of a sales supervisor can also include handling customer complaints, counting down registers during shift changes, organizing store displays and merchandise, handling damaged merchandise and returns, managing sales incentive plans for employees, running sales reports for store management and maintaining the highest customer service standards.

Characteristics for a Sales Supervisor

Sales supervisors or managers manage sales employees in an organization. Often, sales managers are former salespeople who move into a management role after achieving success in selling. Sales managers have to demonstrate some traits common to most effective managers while understanding the unique nature of managing and motivating sales employees.

Good Recruiter: The ability to recruit good salespeople is one of the key traits an effective sales supervisor possesses. Sales trainer and Sales Manage Solutions founder Lance Cooper noted it first in his list of top sales manager competency requirements. Sales managers do train, develop and coach salespeople to achieve optimum success, but the ability to recruit and hire the right people into the organization is as important as development. Knowing the type of person who can effectively sell in your organization is critical.

Good Seller: The Bureau of Labor Statistics noted in its 2010-2011 outlooks for "Sales Worker Supervisors" that education and good sales experience are key qualifiers for a sales supervisor position. The Centrax Group also indicated in the article "What Are The Key Characteristics of a

Great Sales Manager?" that salespeople believe someone who has sold successfully makes the best fit for a sales manager. To coach and inspire salespeople, you have to have credibility and a proven ability to sell. Otherwise, it is hard to get buy-in from your sales team.

Goal-Setting: Sales is often a hyper-competitive career, and sales managers need the ability to help salespeople set goals that are challenging, yet attainable. A goaloriented sales manager who works with employees to set sales goals and then reviews those goals periodically for success is more likely to see good results.

Coaching: Sales supervisors are typically more like coaches than traditional managers. Especially with highly talented sales staff, their primary roles are to help with planning and motivation. Cooper suggests that effective sales supervisors should have strong coaching and training skills in three critical areas: sales planning, activity (funnel) management and face-to-face selling skills.

Good Communicator: Salespeople also need strong verbal and written communication skills, according to the BLS. This is what enables them to successfully coach and inspire salespeople to achieve optimum performance. It also helps them approach what Cooper calls "mavericks" as well as poor performing salespeople. Mavericks are those who believe they can do it alone with little or no guidance or team-orientation. Poor performers need to understand expectations and know how to reach them.

Duties of Sales Supervisor

1. To assist the Sales Manager in leading, directing and motivating the sales team in order to achieve the overall corporate sales objectives.
2. To assist the Sales Manager in revising and implementing the sales strategies plans.
3. To assist the Sales Manager in generating sales opportunities by identifying appropriate business targets.
4. To assist the Sales Manager in providing a professional and excellent level of customer service with existing and new customers.
5. Supervise the shift that you are scheduled.
6. Assist Sales Manager by completing all assigned duties.
7. Clean up stations and facilities throughout shift and ensure bathroom products are adequately stocked.
8. Handle customer issues, resolution and communicate escalated issues to the Sales Manager.
9. Supervise Sales Representatives.
10. Assist with sales rep questions, concerns and product/service questions.
11. Create reports showing sales %, install %, adherence, and attendance etc.
12. Make sure all employees adhere to company policies and procedures (example: dress code, eating food at station, cell phone usage, etc.).
13. Deliver positive feedback, Employee Rewards and Customer Recognitions to employee.
14. Communicate all employee relations issues, concerns, and incidents to Sales Manager.
15. Monitors calls, provide feedback to reps and assist reps on sales %, install %, and quality assurance goals.

Responsibilities of Sales Supervisor

1. Orients, trains, schedules, monitors, evaluate and provide direction to store staff and volunteers; complete time sheets and attendance records.
2. Promotes the store by performing duties such as placing advertisements in newspapers, on radio and television and attending trade shows.
3. Purchases products for sale and purchases supplies.
4. Receives product donations and prepares them for display in the store according to established policies by performing duties such as sorting, pricing, folding, hanging and maintaining related records.
5. Maintains or changes product displays including those required for periodic sale events.
6. Performs product inventory in accordance with established policies and maintains related records.
7. Greets and assists customers with product selection.
8. Operates cash register and processes cash, debit card, and credit card sale transactions.
9. Handles cash and receipts for the sale of merchandise by performing duties such as counting the float, balancing cash, providing change, sorting and securing cash.
10. Prepares and makes bank deposits; maintains financial records such as the daily journal.
11. Opens and closes the store by performing duties such as placing and removing signage, opening and closing tills, unlocking and securing the store.
12. Provides information about the retail store(s) and service(s) to members of the public in person and over the phone.
13. Maintains the cleanliness of the store by ensuring that maintenance duties are completed and by performing duties such as cleaning windows, sweeping floors and dusting product shelves as required.
14. Performs other related duties as required.

Hotel Supervisor

The hotel supervisor, or front office supervisor, oversees front office operations, helping coordinate guest arrivals and departures. While the hotel manager handles more complicated guest requests and special needs, the supervisor approaches guests to ensure they are enjoying their stay and makes sure any guest complaint or request gets handled immediately by front office, housekeeping or dining room staff. The supervisor also oversees and confers with all other guest service agents, like concierge and bellmen.

General Duties: The supervisor assists with and oversees guest check-in and check-out of the hotel. The supervisor ensures that all front desk employees engage politely and attentively with incoming and departing guests. She assists with cashier functions, including taking large cash amounts and handling invoices for groups and large parties.

The supervisor also assists the front office team in making reservations and answers incoming telephone calls. Other duties include assisting guests with special requests. When the front desk

manager takes a break or is out for the day, the supervisor can generally assist guests as the manager on duty.

Guest Services: Always be attentive and compassionate to guest requests and complaints, the supervisor is one of the first people besides the manager on duty to respond to guest requests. The supervisor follows up with guest requests and reports more complicated needs like negotiating prices and rooms to hotel management. The supervisor also directs guests to areas in the hotel and offers services like hotel and restaurant tours and booking reservations.

Front Desk Supervisor

The front desk supervisor is in charge of the staff that directly assists hotel guests. They are responsible for the smooth operation of check-ins and check-outs, guest services, guest satisfaction and rectifying any issues that arise. The front desk staff reports to the front desk supervisor, and he or she is responsible for scheduling the staff and is expected to be knowledgeable and capable of performing all front desk tasks. The front desk supervisor reports directly to the general hotel manager.



General Responsibilities: A front desk supervisor hires and trains employees and is in charge of the front desk staff. The supervisor is ultimately responsible for ensuring the happiness and satisfaction of the guests, including accurate billing services, swift and efficient registration services and fostering a convivial and professional atmosphere.

Daily Duties: Supervisors are responsible for all aspects of record keeping, such as the work schedule for the staff, cash accounting for the front desk and paying vendors. The supervisor also acts as the front office manager when the manager is not in the office.

Food & Beverage Supervisor

Food and beverage supervisors oversee the day-to-day operations of dining facilities. This includes the recruitment, training and management of staff, the procurement of services and inventory, and providing excellent customer service. Food and beverage supervisors can find employment in a variety of environments including restaurants, hotels, banquet halls, office complexes, academic institutions and hospitals.

Industry Overview: According to a report issued by the United States Bureau of Labor Statistics, in 2006 food and beverage supervisors were employed in approximately 350,000 jobs, 38 percent of which were in full-service and fast-food restaurants, as well as cafeterias. Forty-five percent of food and beverage supervisors were self-employed, owning dining and food services. The remaining members were employed in a variety of places including: "hotels; amusement, gambling, and recreation industries; nursing care facilities; and hospitals."

Job Responsibilities: A food and beverage supervisor attends to customer complaints or issues, resolving matters as expediently as possible. Supervisors also oversee food preparation, food storage and dining areas, ensuring that the facility remains in compliance with safety regulation and health codes. A food and beverage supervisor performs the duties of a human resources manager, recruiting, hiring, training and terminating staff members. Performance management and disciplinary actions are administered as required. Supervisors also schedule employees for work. They also maintain employee records and administer payroll and benefits. Also, the management of incoming funds and accounts payable are often the responsibility of the food and beverage supervisor.

Personal Qualities Essential for Success: To successfully perform the duties of a food and beverage supervisor, an individual must possess a drive to provide exceptional customer service. Supervisors must be reliable and self-motivated. Supervisors must be excellent communicators because they manage a team in a high-volume environment and carry out multiple tasks at the same time. Additionally, a degree of physical fitness is required, as many supervisors stand for long periods of time and lift heavy items.

Hospitality Floor Supervisor

A hospitality floor supervisor is responsible for all front desk workers and assistants at a hotel. She ensures that all guests' needs are met and that the hotel is running smoothly. She also makes sure that all areas of the hotel are clean.

Skills: Becoming a hospitality floor supervisor requires 4 to 5 years of experience and a background in housekeeping and hotel management. Customer service skills are necessary to perform this job.

Responsibilities: Responsibilities include managing the hotel, assisting in the training of front desk workers and producing financial statements.

Guest services: Ensuring guest satisfaction is critical, as is promoting great customer service and maintaining and implementing all hotel standards and policies.

Safety and security: The hospitality floor supervisor follows all mandated laws in regards to health and safety codes, promotes a safe environment and has a strong understanding of policies and procedures.

Human Resource: The hospitality floor supervisor recruits and interviews potential staff makes sure that all employees follow the company's objectives and documents turnover levels in efforts to reduce them.

Housekeeping Supervisor

Housekeeping supervisors manage the housekeeping department of a company. They work in hotels, hospitals, apartment buildings, offices and nursing homes. They supervise the housekeepers and ensure that the job is done safely and correctly.

Hire and Train New Employees: In some cases, the housekeeping supervisor would have to review job applications, interview candidates, hire and train them. The supervisor would also show the new employees the different tasks that must be completed by the end of the day and answer any questions they may have.

Tours the Area: Housekeeping supervisors also check their employees' work by visiting the assigned rooms and making sure that the tasks were completed correctly. For example, the supervisor in a hotel may inform an employee that some of the toilets weren't cleaned thoroughly.

Cleaning Duties: The housekeeping supervisor also performs cleaning duties. For example, a hotel housekeeping supervisor may spend part of the day washing towels and bringing clean ones back to the rooms, and then spend the rest of the day replacing trash bags.

Training: A housekeeping supervisor usually has a high-school diploma and often starts out as a housekeeper but gets promoted to this position after a few months on the job. The supervisor may be required to take company sponsored courses that focus on housekeeping techniques.

Functions & Responsibilities of Sales Manager

The functions of a sales manager are many and varied. They may be classified under the following three heads:

1. Managerial /executive functions
2. Administrative functions
3. Miscellaneous functions

1. Managerial / Executive Functions

The main function of the sales manager is the management of sales operations including sales programmes and sales personnel. The management of sales programmes includes establishment and developing short-term and long-term sales policies and sales objectives, in consultation with other heads of related departments. He develops detailed sales programmes for his department designed to improve competitive positions, to minimize re-distribution costs and to achieve predetermined sales goals in terms of amount and quantity. For this purpose he should review and approve and if necessary, improve sales strategies, sales policies, sales objectives and pricing policies of the respective products.

The management of sales personnel function includes recruitment, selection, training, direction, supervision motivation and control of sales personnel in the best interest of the organization. In smaller organizations, the top executive of the sales department sales manager himself, performs this function. However, in large organizations, services of staff specialists are made useful. He fixes sales territory and sales quota for every salesman, watches his performance and takes necessary timely action to correct hi - performance.

2. Administrative Function

The administrative head of sales department is Sales Manager who is having full control over the staff of the department and administering the sales office. He establishes an effective plan of sales organization and also controls the activities of the entire sales staff working under his control. He is the leader of the sales personnel at all levels and guides, directs and provides them proper incentive so as to perform their duties effectively.

Administration of sales office is one of the important functions of the sales manager. It involves considerable amount of paper work and record-keeping, depending on the nature of activities assigned to sales department.

3. Miscellaneous Functions

1. Maintenance of cordial and effective relationship with the heads of other department within the company.
2. To ensure that long-term customer relationship is maintained so as to achieve the goals of the enterprise.
3. To conduct selling personally so as to increase the sales volume. For this purpose he plans, develops and implements the field sales strategy, supervisor the sales personnel and coordinates and controls the sales efforts of sales personnel.
4. To study the market conditions, problems of competition and the substitutes coming into the market. He is required to inform the top management of these facts along with his suggestions.
5. To maintain discipline in the sales organization.
6. To organize activities relating to sales promotion, such as, contests, seminars, conferences and provide incentives to the sales staff and the customers.
7. To plan and organize distribution channel in consultation with top management.
8. To analyze the market thoroughly from time to time.
9. To undertake advertising campaign keeping in view the cost and sales requirements.
10. To plan sales targets in consultation with other departments, such as production department.
11. To prepare sales budget of a given period.
12. Thus the sales manager performs a number of functions depending on the nature of products and the size of the enterprise.

Responsibilities of Sales Manager

The responsibilities of a manager can be grouped under five heads:

1. Responsibility to himself.
2. Responsibility towards organization.
3. Responsibility towards customers.
4. Responsibility towards his staff and.
5. Miscellaneous.

They may be elaborated as under:

1. **Responsibility to self:** The foremost responsibility of the sales manager is to make him competent for the work assigned to him by the enterprise. In this connection he must evaluate himself from time to time and take make necessary improvements accordingly. The following are the responsibilities towards him:
   - To increase managerial abilities.
   - To increase and develop selling abilities.
   - To keep himself in contact with regional changes and developments.
   - To have knowledge of latest marketing techniques.
   - To have detailed knowledge of the products.
   - To make continuous and sincere efforts for removing his weaknesses.
   - To develop the spirit of cooperation posses progressive outlook and have good temperament.
2. **Responsibility towards Organization:** Since Sales Manager is a vita; part of the entire organization, he has a number of responsibilities towards the organization. They may be summarized as under:
   - To maintain and also increase the goodwill of the enterprise among his customers.
   - To prepare the records and reports etc. of his department regularly and present the same before the top management accordingly.
   - To take steps of reducing sales cost.
   - To keep a constant watch on the activities of the competitors and keep the top management aware of them along with his suggestions.
   - To make sincere efforts at achieving sales targets.
   - To coordinate and cooperate with the other departments.
   - To feel proud of the organization.
   - To keep the organization in touch with the changes that are taking place in his region, department etc.
   - To seek and also provide assistance and cooperation to the enterprise as and when required. To maintain true and complete accounts of his department.
3. **Responsibility towards Customers**
   - To remain in constant touch with the customers through sales promotion and advertisement.
   - To explain to the customers the advantages that they can have by keeping themselves in touch with the company.
   - To provide information to the customers about the miscellaneous uses of the products.
   - To keep himself in touch particularly with those salesmen who command influence on customers.

- To take interest and listen to the complaints of the customers and make sincere efforts for solving the same satisfactorily.

4. **Responsibility towards Salesmen**
   - To explain the techniques of presenting the products in such a way before the customers which is less time consuming, cheaper and more effective?
   - To recruit, select, train, supervise, control, re-numerate, motivate and promote the sales force so that it may perform the duties more efficiently and effectively.
   - To explain the methods of dealing with the customer's complaints effectively.
   - To provide the detailed knowledge about the products.
   - To arrange and plan salesmen's tours, allocate sales territories, fix sales quotas of each salesman and check the compliance from time to time.
   - To listen and remove the grievances complaints and problems of the sales force and take necessary timely steps for solving the same. He must see that no clash of interest takes place.

5. **Miscellaneous**
   - Responsibility as to maintenance of public relations.
   - Responsibility as to office management.
   - Responsibility as to sales planning, sales targets sales policies sales forecasting sales research etc.
   - Responsibility as to reducing sales costs in view of sales volume.
   - Responsibility is to collect and analyze statistics in connection with marketing research, product research and consumer research etc.

Critical Leadership Attributes in the Retail Industry

During a recent 2nd Retail Executive Forum focused on retail leadership, approximately 250 South Australian retail industry stakeholders worked together at their 27 tables to define the attributes and skills required of retail leaders from 2010 forward. Participants were asked by Derek Stamoulis of Learning Leadership Dynamics to list their 10 top critical leadership attributes and skills. A summary of the results has been compiled by Leadership Learning Dynamics and Service Skills below.

The clustering of these skills is an attempt to gather together the data to give an indication of the most critical leadership attributes. While the data has been clustered into attributes for the purposes of providing meaning for retail leadership.

The key leadership attributes for current and prospective leaders in the retail sector include:

- **Personal Effectiveness:** The ability to understand and manage self, show empathy and manage relationships.
- **Drive:** The ability to inject high energy and enthusiasm into achieving results.
- **Communication:** The ability to use effective communication to build relationships and enable others to deliver results.

- **Credibility:** The ability to lead by example and be a role model for others.
- **People Developer:** The ability to coach, mentor and build the capabilities of people.
- **Inspiration:** The ability to inspire and motivate others to perform at their best.
- **Strategy:** The ability to set direction and create possibilities.
- **Managerial/Technical Skills:** The ability to utilise management skills to run the business.
- **Entrepreneurship:** The ability to "think outside the square" in order to create new opportunities for the business.
- **Customer Centric:** The ability to understand and meet the needs of customers.

Applying a Whole Brain Thinking approach to the future of leadership in the retail sector, it would appear clear from the responses of stakeholders that current and future retail leaders will need to demonstrate competency in attributes and skills that can be described as more right brain than left brain dominant. These attributes, which include effective communication, credibility, inspiration, drive, personal effectiveness and the building of relationships, may arguably be the very factors that motivate people to perform at their best and that distinguish leaders from managers. Industry stakeholders, for example, cited the following as essential leadership attributes:

- Personal effectiveness.
- Communication.
- Credibility.
- Building relationships with and developing with others.
- Inspiring and motivating employees.

The findings from this forum are not inconsistent with current trends and research on leadership at an international level. Research is tending to suggest that more people today appear to be seeking leaders who:

- Are effective communicators.
- Are credible.
- Build relationships.
- Engage and inspire their people.
- Encourage innovation.
- Lead by example.

These are characteristics that have, for some time, been admired and valued by people across all industries, yet have not always been delivered by managers and those in positions of responsibility. Produced by Service Skills SA and Leadership Learning The graph "Leadership Attributes" shows that the attributes relating to capability demonstration and people skills cover about three quarters of the critical attributes listed compared to the more obvious process and knowledge skills. These results have significant implications for providers of leadership training.

Whereas many management courses today focus largely on text and classroom learning of management techniques, knowledge and processes, this will not be enough to equip leaders for future success. Arguably, there is a need and a place for dedicated leadership training designed to build the capabilities of current and future leaders to deliver on the attributes and skills highlighted at this forum.

This paper provides considerable opportunity for individuals and training organizations to redesign their learning/training programs that build leader capability by mapping them against the critical attributes and skills listed in this paper. This requires work to be completed on:

1. How to develop a learning strategy that will deliver the required attributes and skill.
2. How to acquire and/or deliver the attributes that are missing, particularly when many of these tend to be the less "tangible" demonstration and people skills.
3. How to measure the demonstration of these critical attributes across the retail sector.

In responding to the second question, one may argue that this is where work based projects, team activities, mentoring, coaching and peer based activities are so critical. We would like to acknowledge the following Retail Executive Partners & Forum Sponsors for making this possible. Partners Forum Sponsors Service Skills SA in conjunction with Leadership Learning Dynamics is proposing to hold a workshop in early 2011 on how to embed leadership attributes into high level training. The outcomes of this will be delivered at the 2011 Retail Executive Forum.

Table of Retail Leadership Attributes

Below is a list of critical leadership skills that were identified at the second Retail Executive Forum. They have been clustered into attributes to aid analysis.

Communication Responses %	
Effective communication skills	22 8.1
Good listener	8 3.0
Acknowledges others	1 0.4
Able to negotiate / resolve conflict	1 0.4
Total	**331.9**
Customer Centric Responses %	
Customer driven – Builds customer loyalty	8 3.0
Relationship Management	1 0.4
Total	**93.4**
Drive Responses %	
Passion/enthusiasm	14 5.2
Determination/purpose/persistent/tenacity	10 3.7
Personal drive	7 2.6
Commitment/dedication	3 1.1

Rises to the challenge	10.4
High work ethic	10.4
Achieve targets	10.4
Total	**383.8**
Entrepreneurship Responses %	
Being Innovative	93.3
Lead/ open minded to change	72.6
Forward-focused	10.4
Total	**176.3**
Inspiration Responses %	
Motivates others	93.3
Inspires/build steams	51.8
Belief in people/self – putting people first	41.5
Empowers others	20.7
Engages others – knowing your people	20.7
Recognizes + rewards others	10.4
Creates positive environment	10.4
Total	**248.8**
Credibility Responses %	
Trustworthy/Honesty	83.0
Leads by example	72.6
Integrity	72.6
Accountable / Responsible	31.1
Fair & Equitable	20.7
Loyalty	10.4
Reliable	10.4
Ethical	10.4
Social responsibility / Corporate Citizenship	10.4
Total	**321.6**

People Developer Responses %	
Coaches, supports & mentors people	11 4.1
Builds peoples' capability – knowledge & skills	11 4.1
Provides training and development opportunities	3 1.1
Manages talent	2 0.7
Manages people performance	2 0.7
Total	**300.7**
Produced by Service Skills SA and Leadership Learning Dynamics © 2010. www.serviceskillssa.com.au www.lld.com.au 7 of 7	
Personal Effectiveness Responses %	
Self-management – time, goal setting, delegating, organizing	14 5.2
Empathy - sincerity	8 3.0
Sense of humour/fun – energetic & personality	6 2.2
Approachable/ Flexible / Resilient	6 2.2
Develop self – life long learner	4 1.5
Perception / Insight	3 1.1
Positive attitude	3 1.1
Develop relationships – rapport/camaraderie/ networking	3 1.1
Self-regulation – composure/calmness/organization	3 1.1
Total	**518.5**
Strategy Responses %	
Visionary	10 3.7
Think strategically	6 2.2
Growth/diversification focused	2 0.7
Analytical/critical thinking	2 0.7
Solutions-focused	2 0.7
Total	**228**
Managerial/Technical Skills Responses %	
Financial management/skills	4 1.5

Able to solve problems	4 1.5
Business Acumen	3 1.1
IT savvy - keeps up with learning technologies	3 1.1
Decision making skills	2 0.7
Product/Industry knowledge	2 0.7
Ability to implement	1 0.4
Common sense	1 0.4
Total	**207.4**

An employee is a supervisor if he has the power and authority to do the following actions (according to the Ontario Ministry of Labor):

- Give instructions and/or orders to subordinates.
- Be held responsible for the work and actions of other employees.

If an employee cannot do the above, legally he or she is probably not a supervisor, but in some other category, such as lead hand.

A supervisor is first and foremost an overseer whose main responsibility is to ensure that a group of subordinates get out the assigned amount of production, when they are supposed to do it and within acceptable levels of quality, costs and safety.

A supervisor is responsible for the productivity and actions of a small group of employees. The supervisor has several manager like roles, responsibilities and powers. Two of the key differences between a supervisor and a manager are (1) the supervisor does not typically have "hire and fire" authority, and (2) the supervisor does not have budget authority.

Lacking "hire and fire" authority means that a supervisor may not recruit the employees working in the supervisor's group nor does the supervisor have the authority to terminate an employee. The supervisor may participate in the hiring process as part of interviewing and assessing candidates, but the actual hiring authority rests in the hands of a Human Resource Manager. The supervisor may recommend to management that a particular employee be terminated and the supervisor may be the one who documents the behaviors leading to the recommendation but the actual firing authority rests in the hands of a manager.

Lacking budget authority means that a supervisor is provided a budget developed by management within which constraints the supervisor is expected to provide a productive environment for the employees of the supervisor's work group. A supervisor will usually have the authority to make purchases within specified limits. A supervisor is also given the power to approve work hours and other payroll issues.

Normally, budget affecting requests such as travel will require not only the supervisor's approval but the approval of one or more layers of management.

As a member of management, a supervisor's main job is more concerned with orchestrating and controlling work rather than performing it directly.

Exercise: Assignment

A. Visit to your nearest retail store and observe how retail supervisor helps customers by providing information; answering questions; obtaining merchandise requested; completing payment transaction and preparing merchandise for delivery.

B. Just imagine and find out what are the attributes do you have which are related with leadership?

Assessment

A. Fill in the blanks

1. The job description of sales supervisor mainly includes _____ and _____ the sales employees towards achieving the sales objectives of retail store.
2. Sales supers are typically more like _____ than traditional managers.
3. Sales people are need strong _____ and _____ communication skills.
4. The main function of the sales manager is the _____ of sales operations.
5. Maintains product _____ including those required for periodic sales events is the duty of sales supervisor.

B. True or false

1. Retail supervisor should promotes the store by performing duties such as placing advertisements in newspapers, on radio and television and attending trade shows.
2. Retail supervisor is not responsible for purchases products for sale and purchases supplies.
3. Retail supervisor is responsible for maintenance or change in product displays including those required for periodic sale events.
4. The ability to recruit good sales people is one of the key traits an effective sales supervisor possesses.
5. The responsibilities towards customers is to maintain and also increase the good will of the enterprise among his customers.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Differentiated between the duties of sales supervisor and sales manager.
- Distinguish between the functions and duties of sales supervisors.

Part B

Discussed the following in the class:

- What are the characteristics of sales supervisor?
- What are the duties of sales supervisor?

- Explain the functions of sales manager.
- What are the responsibilities of sales manager?
- Explain the leadership attributes for current and prospective leaders in the retail sector.

Part C

Performance Standards

The performance standards may include but not limited to:

Performance Standards	Yes	No
Identify the role and functions of the sales supervisors.		
Identify the characteristics of the sales supervisors.		
List out the responsibilities of sales managers.		
Find out the leadership attributes in retail sector.		
Analyze the functions of sales managers.		
Evaluate.		

UNIT 3 NON- STORE RETAILING

UNIT CODE: RS-406 NQ-2012	UNIT TITLE: NON-STORE RETAILING			
Location: **Classroom, Call Center**	**Duration: 25 Hours**			
	Session 1: E-Retailing Logistics			
	Learning Outcome	**Knowledge Evaluation**	**Performance Evaluation**	**Teaching and Training Method**
	1. Explain the meaning, advantages and shortcomings of e-retailing.	1. Concept of e-retailing. 2. Describe the advantages of e-retailing. 3. Shortcomings of e-retailing.	1. Explain basic concept of e-retailing. 2. Enlist the advantages of e-retailing. 3. Find out the various limitations of e- retailing.	**Interactive Lecture:** Advantages and shortcomings of e-retailing. **Activity:** Visit to the e-retailing centre & list out to the products/ services offered in e-retailing.
	2. Identify relevance of e-retailing resources, information & communication technology.	1. Various e-retailing resources. 2. Significance & role of ICT in e-retailing.	1. Enlist the different resources for e-retailing. 2. Explain the importance of ICT.	**Interactive lecture:** e-retailing resources and ICT. **Activity:** Make a brief report on impact of ICT on educational services.
	3. Identify success factors for e-retailing.	1. Factors that contribute to success of e-retailing.	1. Identify the factors responsible for the success of e-retailing. 2. Practice e- retailing activities.	**Interactive Lecture:** Success factors for e-retailing. **Activity:** Hold a group discussion on factors contributing to the success in e-retailing.
	Session 2: E-Marketing			
	1. Discuss the concept of e-marketing.	1. Meaning of e-marketing. 2. Various objectives of e-marketing.	1. Explain the meaning of e-marketing. 2. Enlist objectives of e-marketing.	**Interactive Lecture:** Concept and objectives of e-marketing. **Activity:** Make a

				brief note on 5 companies which are engaged in e-marketing.
	2. State importance, advantages and shortcomings of e-marketing.	1. Significance of e-marketing. 2. Advantages and shortcomings of e-marketing.	1. Analyze the importance of e-marketing. 2. Enlist various advantages and limitations of e-marketing.	**Interactive Lecture:** Importance, advantages and shortcomings of e-marketing. **Activity:** Hold a group discussion on merits and demerits of e-marketing & prepare a report.
	3. Differentiate e-marketing v/s traditional marketing.	1. Discuss how to compare traditional marketing with e-marketing. 2. Differences in traditional & e-marketing.	1. Make distinction between e-marketing and traditional marketing. 2. Identify the steps involved in traditional & e-marketing.	**Interactive Lecture:** Traditional marketing v/s e-marketing. **Activity:** Conduct a seminar on transition of traditional marketing into e-marketing.
	Session 3: Telemarketing			
	1. Discuss the concept, advantages and shortcomings of telemarketing.	1. Concept of telemarketing. 2. Advantages and disadvantages of telemarketing.	1. Explain the concept of telemarketing. 2. Enlist merits and demerits of telemarketing.	**Interactive Lecture:** Telemarketing its advantages and disadvantages. **Activity:** 1. Write a brief note on merits & demerits of telemarketing. 2. Conduct group discussion on merits & demerits of telemarketing.
	2. Identify the various telemarketing technologies.	1. Telemarketing technologies.	1. Enlist telemarketing technologies. 2. Practice the telemarketing techniques.	**Interactive Lecture:** Telemarketing technologies. **Activity:** Hold a group discussion to discuss the use of telemarketing technologies & prepare a report.

	3. Categorize the telemarketing activities.	1. State the B2B process of telemarketing. 2. State B2C process of telemarketing.	1. Explain B2B category of telemarketing. 2. Analyze B2C category of telemarketing. 3. Practice & find out steps involved.	**Interactive Lecture:** Telemarketing categories. **Activity:** Visit a call center, make observation on categories and write a small report on B2C and B2B telemarketing.
	Session 4: Internet Business			
	1. Apprise the concept of internet business and its objectives.	1. Concept of internet business. 2. Classify various objectives of internet business.	1. Enlist the objectives of internet business. 2. Practice the different objectives.	**Interactive Lecture:** Internet business and its objectives. **Activity:** Buy a product through the website and observe how companies sell their products through internet.
	2. Identify internet business subsets.	1. Important subsets of internet business. 2. Classification of subsets. 3. Internal business Systems. 4. Enterprise communication collaboration. 5. e-commerce system.	1. Express internal business systems as IB subset. 2. Examine Enterprise communication and collaboration. 3. Analyze the significance of e-commerce in the e-retailing processes.	**Interactive Lecture:** Internet Business Subsets. **Activity:** On-the-job in Internet business and practice with different subsets of internet business.
	3. Discuss various issues on internet business.	1. Classify the issues. 2. Describe main issues of security, privacy, non repudiation, authenticity, data integrity, access control & availability.	1. Explain the problems of security and privacy in internet business. 2. Compile a list of challenges of non repudiation, authenticity, data integrity, access control and availability in internet business.	**Interactive Lecture:** Issues of internet business. **Activity:** On-the-job Internet Business Centers and handle the problems to run the e-retailing through internet business.

INTRODUCTION



In this era of rapid globalization, the online form of retailing has emerged as a strong tool to sell products, directly to the customers, and is growing much quickly. As anyone with a computer or Smartphone can attest, online retailing is by now pervasive, penetrating every demographic group and retail segment to varying degrees.

As a matter of fact, just like developed nations, the retail sector in India too, is going through the phase of tremendous transformation. The impact of the alterations in the format of the retail sector changed the lifestyle of the Indian consumers drastically. Nowadays the Indian consumers are well versed with the concepts about quality of products and services. These demands are the visible impacts of the Retail Sector of Indian Economy.

Meaning of E–Retailing

Online retailing also known as online shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over online channels primarily the Internet using a web browser. Online retail is decidedly convenient due to its 24-hour availability, global reach and generally efficient customer service.

Online retailing is a subset of e-commerce and refers to the purchase and sale of goods between consumers and retailers using the internet - also referred to as the business to consumer (or B2C) market. Other terms are interchanged for online retailing including e-tailing. Online retailing establishments are taking the form of 'pure plays' in which businesses provide online only services in particular retail categories or as part of multi-channel establishments where online activities are combined with bricks and mortar operations. The growth of online shopping has occurred in the context of greater familiarity with, and confidence in, the use of the internet across a range of activities. This reflects a substantial cultural change in how the community is conducting economic transactions.

The increasing use by the community of the internet for e-commerce is facilitated by growing household access to the internet and improvements in the technical capability of internet infrastructure. To Some extent, e-retailing can be attributed to new forms of goods and services with no direct analogue in the physical retail sector think apps and online gaming. But for the most part, these internet-based sales are simply capturing market share of items that previously were sold either through catalogues over the phone or by traditional bricks-and-mortar retailers in physical stores.

In this unit, the student will learn about e-retailing logistics, e-marketing concepts, telemarketing aspects and internet business.

SESSION 1: E-RETAILING LOGISTICS

Relevant Knowledge



Consumers find a product of interest by visiting the website of the retailer directly or by searching among alternative vendors using a shopping search engine.

Once a particular product has been found on the website of the seller, most online retailers use shopping cart software to allow the consumer to accumulate multiple items and to adjust quantities, like filling a physical shopping cart or basket in a conventional store. A "checkout" process follows (continuing the physical-store analogy) in which payment and delivery information is collected, if necessary. Some stores allow consumers to sign up for a permanent online account so that some or all of this information only needs to be entered once. The consumer often receives an e-mail confirmation once the transaction is complete.

Less sophisticated stores may rely on consumers to phone or e-mail their orders (although full credit card numbers, expiry date, and Card Security Code, or bank account and routing number should not be accepted by e-mail, for reasons of security).

Payment Methods in E–Retailing

Online shoppers commonly use a credit card or a PayPal account in order to make payments. However, some systems enable users to create accounts and pay by alternative means, such as:

- Billing to mobile phones and landlines.
- Cash on delivery (C.O.D.).
- Cheque/ Check.
- Debit card.
- Direct debit in some countries.
- Electronic money of various types.
- Gift cards.
- Postal money order.
- Wire transfer/delivery on payment.
- Invoice, especially popular in some markets/countries, such as Switzerland.

Some online shops will not accept international credit cards. Some require both the purchaser's billing and shipping address to be in the same country as the online shop's base of operation. Other online shops allow customers from any country to send gifts anywhere.

The financial part of a transaction may be processed in real time (e.g. letting the consumer know their credit card was declined before they log off), or may be done later as part of the fulfilment process.

Product Delivery

Once a payment has been accepted, the goods or services can be delivered in the following ways:

- **Downloading:** The method often used for digital media products such as software, music, movies, or images.
- **Drop shipping:** The order is passed to the manufacturer or third-party distributor, who then ships the item directly to the consumer, bypassing the retailer's physical location to save time, money, and space.
- **In-store pick-up:** The customer selects a local store using locator software and picks up the delivered product at the selected location. This is the method often used in the bricks and clicks-business model.
- **Printing out:** A provision of a code for, or e-mailing of such items as admission tickets and scrip (e.g., gift certificates and coupons). The tickets, codes, or coupons may be redeemed at the appropriate physical or online premises and their content reviewed to verify their eligibility (e.g., assurances that the right of admission or use is redeemed at the correct time and place, for the correct dollar amount, and for the correct number of uses).



- **Shipping:** The product is shipped to a customer-designated address.
- **Will call, ICOBO (In Care Of Box Office), or "at the door" pickup:** The patron picks up pre-purchased tickets for an event, such as a play, sporting event, or concert, either just before the event or in advance. With the onset of the Internet and e-commerce sites, which allow customers to buy tickets online, the popularity of this service has increased.

Customer Needs and Expectations

A successful web-store is not just a good looking website with dynamic technical features, listed in

many search engines. In addition to disseminating information, it is also about building a relationship with customers and making money.

Businesses often attempt to adopt online shopping techniques without understanding them and/or without a sound business model; often times, businesses produce webstores that support the organizations' culture and brand name without satisfying consumer expectations. User-centered design is critical. Understanding the customer's wants and needs is essential. Living up to the company's promises gives customers a reason to come back and meeting their expectations gives them a reason to stay. It is important that the website communicates how much the company values its customers.

Customer needs and expectations are not the same for all customers. Age, gender, experience and culture are all important factors. For example, Japanese cultural norms may lead users there to feel privacy is especially critical on shopping sites and emotional involvement is highly important on financial pension sites. Users with more online experience focus more on the variables that directly influence the task, while novice users focus on understanding the information.

To increase online purchases, businesses must expend significant time and money to define, design, develop, test, implement, and maintain the web-store. It is easier to lose a customer than to gain one. Even a "top-rated" website will not succeed if the organization fails to practice common etiquette such as returning e-mails in a timely fashion, notifying customers of problems, being honest, and being good stewards of the customers' data. Because it is so important to eliminate mistakes and be more appealing to online shoppers, many web-shop designers study research on consumer expectations.

Advantages and Shortcomings of E-retailing

Advantages of e-retailing for Retailers

- Location is unimportant.
- Size does not matter.
- Saves on the wages and premises costs.
- Reach a larger audience.
- Higher disposable income profile than average.
- Accepts orders 24-hours a day.
- More opportunities for
  - CRM and micro-marketing.
  - Cross and up-selling.

Disadvantages of e-retailing for Retailers

- May lack know-how and technology.
- Substantial set-up, investment and ongoing costs.
- Complex logistics of fulfillment.

- E-selling less powerful than face-to-face.
- Uptake slows for goods selected by taste or smell.
- Less impulse purchases.
- Legal problems.
- Less role for traditional high street retail expertise.
- Pressure on margins and prices in-store.
- After-sales care difficulties.

Benefits of e-Retailing to the Customer

- Convenience.
- Better information.
- Competitive pricing.
- Customization.
- Shopping anywhere, anytime.

Disadvantage of e-Shopping for Consumers

- Credit card and security worries.
- Lack of personal and social interaction.
- Can't see or feel the merchandise.
- Don't know how.
- Can't be in to receive delivery.
- Premium charged for delivery.
- Difficulties with returning goods for refund.

The Role of Information and Communication Technologies (ICTs) There is little doubt about the role of ICT in driving the global economy and reshaping existing business structures. Business to Business (B2B) transactions comprise 95 percent of all e commerce. ICTs have been particularly influential in the retail of services. The Internet has allowed companies to out source activities and services to more cost-effective locations or access new clients in foreign markets. Rapid growth in retail activities and increasing consumer base is resulting in an increased amount of daily



transactions, thereby forcing retail players to implement IT services.

There is a huge opportunity for mobile and ICT solutions in Indian retail. ICT Solutions based on technologies like M2M, smart buildings, etc., being offered by many telecom companies have a great potential in the industry to monitor usage patterns, rescue emissions, and spawn new innovative and sustainable products. For example, according to an article in Indian Management, Visi Coolers installed at most retailers for soft drink vending can send feedback to the server at the parent company on how many times the door was opened in a day or the fluctuations in temperature and energy usage as a result.

ICT is a key enabler for sustainability and it can help the companies adapt quickly to the new standards of sustainability thereby ensuring a more level playing field.

Success Factors for E-retailing

E-retailing site can attract the visitors if it is able to cater to the requirements of the users in a convenient manner. For sites that exist primarily to sell products, it's very easy to look at sales and have a measuring stick to use when evaluating the success of the website. However, there are many numbers of factors that can influence the success of e-retailing and identifying areas of strength and weakness is not always so simple. People do site promotion, SEO, affiliate marketing, and many other things but the goal is same to get clients and sell the products or services of the company. Following are the success factors for e-retailing with special focus on managing eretailing site:

Important features of an E-shop:

1. Online catalogue for goods, linked to the order process.
2. Provision of a search engine for products.
3. Shopping cart, for good selection and automatic price update.
4. Personalization of store layouts, promotions and marketing.
5. An online contact person.
6. Order status checking facility.
7. Use of forums and customer communities.

1. Search Engine Optimization

- Search engines are much better at indexing static pages, and don't do a good job of following hyperlinks that contain query strings. SEO friendly URLs help them to be indexed.
- Ability to add HTML titles and META tags, Meta description and Meta keywords for search engine optimization.
- Google sitemaps help webmasters to get their new stuff crawled by Googlebot faster than before.
- Auto-generated keyword-rich URLs based on product and category names.

2. Site Management

- Administration permission roles and users.
- Independent Systems develops sales tax calculation by state and zip code in designated states.

- Automatic upgrades when hosted in data center.
- Entries can be posted with an expiry date to display content that will automatically expire; ideal for mentioning sales and specials, etc. Advanced content management system for informational pages.

3. Marketing Promotions and Tools

- Flexible price management with ability to restrict by product and price-level (retail, wholesale) : Percent discount, Fixed amount discount and Free shipping.
- Entries can be sorted by Recent, Most Commented, Most Viewed.
- Multi-tier pricing for quantity discounts.
- RSS feed allow users to subscribe to your content feeds.
- Support for multiple product feeds.
- Send to a friend.

4. Shopping Cart

- Customer management.
- Product management.
- Variety of payment and shipping modules.
- Order receipt emails.
- Ability to use SSL secure layers for ordering process.

5. Checkout

- SSL security.
- Express/guest checkout.
- Address book.
- Automatically apply customer balance to order.
- Sales tax by state, country, municipality based on zip code.

6. Content Managed Pages

- Add unlimited pages to your website.
- Create unlimited web forms.
- Customizable navigation.
- Organize your pages into unlimited sections (categories).

7. Security

- PCI-DSS Compliant and CISP Certified Level 1.
- Daily backups.

- Multiple database version backups.
- Fail over/cluster hardware firewalls.
- Biometric access control to data center.
- Free BSD operating system.

8. Content Management (CMS) Components

- Add/edit/delete unlimited categories, products and information pages on your site.
- Dynamic categories.
- Easy-to-use product navigation.
- Product detail page.
- Related items.
- "Best Sellers" facility.
- WYSIWYG content tools.

9. Multi Store

- Manage more than one store for the same product, at different price, in different language, for different locations, and from same admin panel.
- To deal with different products or different brands of a certain product.
- Higher chances of giving customers what they are looking for.
- Gives you a lot of inbound links coming from your niche sites.

10. Reporting

- Sophisticated ready-to-go reporting, no need to add any code to your web pages.
- Track abandon rates and where customers abandon in online shop.
- Tracking Sales, Payment, Shipping Options and discount Codes.
- Report on Detailed visitors including new Vs returning.
- Products can be searched/filtered and added to the order.
- Currency can be selected per order.

Fraud and Security Concerns

Given the lack of ability to inspect merchandise before purchase, consumers are at higher risk of fraud than face-to-face transactions. Merchants also risk fraudulent purchases using stolen credit cards or fraudulent repudiation of the online purchase.

However, merchants face less risk from physical theft by using a warehouse instead of a retail storefront. Secure Sockets Layer (SSL) encryption has generally solved the problem of credit card numbers being intercepted in transit between the consumer and the merchant. However, one must still trust the merchant (and employees) not to use the credit card information subsequently for their own purchases, and not to pass the information to others. Also, hackers might break into a merchant's web site and steal names, addresses and credit card numbers, although the Payment

Card Industry Data Security Standard is intended to minimize the impact of such breaches. Identity theft is still a concern for consumers. A number of high-profile break-ins in the 2000s has prompted some U.S. states to require disclosure to consumers when this happens. Computer security has thus become a major concern for merchants and e-commerce service providers, who deploy countermeasures such as firewalls and anti-virus software to protect their networks.

Phishing is another danger, where consumers are fooled into thinking they are dealing with a reputable retailer, when they have actually been manipulated into feeding private information to a system operated by a malicious party. Denial of service attacks are a minor risk for merchants, as are server and network outages.

Quality seals can be placed on the Shop web page if it has undergone an independent assessment and meets all requirements of the company issuing the seal. The purpose of these seals is to increase the confidence of online shoppers. However, the existence of many different seals, or seals unfamiliar to consumers, may foil this effort to a certain extent. A number of resources offer advice on how consumers can protect themselves when using online retailer services. These include:

- Sticking with known stores, or attempting to find independent consumer reviews of their experiences; also ensuring that there is comprehensive contact information on the website before using the service, and noting if the retailer has enrolled in industry oversight programs such as a trust mark or a trust seal.
- Before buying from a new company, evaluate the website by considering issues such as: the professionalism and user-friendliness of the site; whether or not the company lists a telephone number and/or street address along with e-contact information; whether a fair and reasonable refund and return policy is clearly stated; and whether there are hidden price inflators, such as excessive shipping and handling charges.
- Ensuring that the retailer has an acceptable privacy policy posted. For example note if the retailer does not explicitly state that it will not share private information with others without consent.
- Ensuring that the vendor address is protected with SSL (see above) when entering credit card information. If it does the address on the credit card information entry screen will start with "HTTPS".
- Using strong passwords, without personal information. Another option is a "pass phrase," which might be something along the lines: "I shop 4 good a buy!!" These are difficult to hack, and provides a variety of upper, lower, and special characters and could be site specific and easy to remember.

Although the benefits of online shopping are considerable, when the process goes poorly it can create a thorny situation. A few problems that shoppers potentially face include identity theft, faulty products, and the accumulation of spyware. Whenever users purchase a product, they are required

to put in their credit card information and billing/shipping address. If the website is not secure, customer information can be accessible to anyone who knows how to obtain it. Most large online corporations are inventing new ways to make fraud more difficult. However, criminals are constantly responding to these developments with new ways to manipulate the system. Even though online retailers are making efforts to protect consumer information, it is a constant fight to maintain the lead. It is advisable to be aware of the most current technology and scams protect consumer identity and finances.

Product delivery is also a main concern of online shopping. Most companies offer shipping insurance in case the product is lost or damaged. Some shipping companies will offer refunds or compensation for the damage, but this is up to their discretion.

Exercise: Assignment

1. Visit an e-retailing centre, meet the manager or supervisor of the store and interview him to know the following:
   - Range of products offered.
   - Scope of coverage (geographical coverage by the centre e.g. Local, national, international, global).
   - Issues and challenges of electronic methods of retailing in day to day course of business.
2. Make a brief report on impact of ICT on educational services consisting of following information:
   - ICT based educational services.
   - Comparison of traditional and ICT based educational services.
   - Transformation of educational services with advancement of ICT.
   - Positive and negative effects of ICT on educational services in new era.
3. Write a detailed note on fraud and security concerns in e-retailing:

_____

_____

_____

Assessment

A. Fill in the blanks

1. Although the benefits of _____ are considerable, when the process goes _____ it can create a thorny situation.
2. Entries can be posted with an _____ to display content that will automatically expire; ideal for mentioning sales and specials, etc. Advanced content management system for _____ pages.
3. There is little doubt about the role of _____ in driving the global economy and reshaping existing business structures.

4. _____ encryption has generally solved the problem of credit card numbers being intercepted in transit between the _____ and the merchant. (Secure Sockets Layer.
5. E-retailing site can attract the _____ if it is able to cater to the requirements of the users in a _____ manner.

B. Multiple choice questions

1. Which one of the following is not the sub feature of shopping cart?
   a) SSL Security
   b) Customer management
   c) Product management
   d) Variety of payment and shipping modules
2. Benefits of e-retailing for customers include:
   a) Pressure on margins and prices in-store
   b) After sales care difficulties
   c) Better information
   d) Premium charged for delivery
3. Purchase and sale of goods between consumers and retailers using the internet is also referred to as the:
   a) B2B Market
   b) B2C Market
   c) B2A Market
   d) B2K Market
4. Which one of the following is the feature of marketing promotion and tools in e-retailing website?
   a) RSS feed allow users to subscribe to the content feeds
   b) Multiple database version backups
   c) Fail over/cluster hardware firewalls
   d) Biometric access control to data center

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Understand the meaning and basic concepts of e-retailing.
- Identify the importance of e-retailing with its drawbacks.

- Identify relevance of information and communication technologies in e-retailing.
- Enlist various success factors for e-retailing.

Part B

Discussed the following in the class:

- What is e-retailing?
- How is e-retailing becoming effective way to reach to the final consumer?
- What are the advantages and disadvantages of e-retailing for retailers?
- What are the advantages and disadvantages of e-retailing for consumers?
- State various success factors of e-retailing.

Part C

Performance Standards

Students demonstrate the generic, technical, professional and organizational knowledge and skills in order to perform up to the required standards. The performance standards may include but not limited to:

Performance Standards	Yes	No
Able to know the meaning of e-retailing.		
Able to identify the advantages of e-retailing.		
Able to identify the disadvantages of e-retailing.		
Able to discuss the importance of ICT.		
Able to specify success factors for e-retailing.		

EXHIBIT 1

Online retailers like Jabong, Myntra emerge as important sales channels for consumer brands in India - Radhika P Nair, ET Bureau May 22, 2013, 05.38AM IST Bangalore: Online retailers are emerging as important sales channels for consumer brands in the country as more Indians take to shopping on the Internet. Apparel and accessory brands, such as Puma, Nike and Wrangler, have recorded a big spurt in online sales in the past year, led largely by purchases from smaller towns and cities with consumers paying the full price for these products."Three years ago, about 1% of total sales came from online channels. Now, that number stands at 15%," said Rajiv Mehta, MD of Puma for South Asia. "Today, no brand can ignore the online channel." In turn, e-commerce companies selling the brands are seeing a boost in growth. For instance, multi-brand retail accounts for 90% of the business at fashion e-tailer Myntra, which expects to double revenues to 800 crore in FY14."Earlier, top brands were sceptical about online retail. Now, it has become part of their mainstream strategy," said Mukesh Bansal, who co-founded Myntra in 2007.

ONLINE CHANNELS SEE BIG JUMP

In fact, for Puma, the online channel is bigger than the offline multi-brand retail channel. "Puma grew by around 35% last year, and our online channel grew by 60%," said Mehta. Denim brand Wrangler, which currently clocks 3.5% of sales from online sites, expects this channel to be significant contributor to overall revenue in five years. "Online channels have grown by many multiples in recent months. It has been amazing," said Puneet Khosla, a business head for Wrangler.

Online retail in India is expected to grow to $76 billion (4,18,304 crore) by 2021, accounting for over 5% of the Indian retail industry, according to a report by advisory services firm Technopak. This projected growth is pushing more large companies to sell aggressively online. "Initially, the mobile brands showed a lot of interest in selling online. Now, there is interest from ayurveda brands to jewellery and fashion," said Shubhankar Sarkar, chief operating officer of Indiatimes Shopping. Two years ago, the company became Nokia's online partner and now runs the online store for Gitanjali Jewels. Experts reckon much of this growth will come from the rising purchasing power of consumers in smaller cities, who do not have access to offline stores stocking high-end brands. "About 50% of sales for online sites come from cities and towns beyond the top eight metros," said Pragya Singh, associate director at Technopak. Large companies are also appointing preferred online partners. "When we become the preferred partner, the brand's marketing and planning team work closely with our team. The brand also invests resources, gives us pick of products, does exclusive launches and promotions," said Ganesh Subramanian, Chief Merchandising Officer at Myntra. For instance, footwear brand Nike works only with online retailers such as Myntra and Jabong. And in a first-of-its-kind initiative, it recently launched its new range of cricket gear on Jabong. Such partnerships work well as online retailers provide greater visibility than a physical store. "Our online store can carry around 10,000 options, while a brick-and-mortar store can carry only 20% of a given range," said Shivanandan Pare, head of ecommerce at Madura Lifestyle & Fashion.

Source: *http://articles.economictimes.indiatimes.com/2013-05-22/news/39445483_1 myntra-mukesh-bansal-online-sales.*

SESSION 2: E-MARKETING

Relevant Knowledge

Introduction to E-marketing

E-marketing must be defined to include the management of the consumer's online experience of the product, from first encounter through purchase to delivery and beyond. Digital marketers should care about the consumer's online experiences for the simple reason that all of them good, bad, or indifferent influence consumer perceptions of a product or a brand. The web offers companies' ownership and control of all interactions with customers and thus creates both the ability and the need to improve their overall experience.



An e-marketing effort supports the customer base almost round the clock. The helpdesk and support desk facilities, trouble ticket raising options are making it more and more convenient for the clients to opt outsourcing services online. Most of the marketing efforts that cater to the organized sector are open 24 hours and 7 days a week. Moreover, the reach is global and customers feel convenient to shop/communicate anytime they want to.

In e-marketing, automated tools and/or software does the whole thing. Your clients are updated immediately about any new modifications and alternations in information through RSS feeds. RSS feeds are brilliant way to update information and news in businesses that are information sensitive.

Creating interactive platforms, initiating discussions and bloggers community are the best things that endorse co-operative marketing efforts through collaboration and networking. Unlike an offline business, you do not always need a physical space to initiate and promote communication among similar minds. Virtual presence makes you visible and established in your business domain.

Attributes of E-marketing

1. **One-to-one approach:** The targeted user typically browses the Internet alone, so the marketing messages can reach them personally. This approach is used in search marketing, where the advertisements are based on search engine keywords entered by the user.

2. **Appeal to specific interests:** E-marketing places an emphasis on marketing those appeals to a specific behavior or interest, rather than reaching out to a broadly defined demographic. "On and Off-line" marketers typically segment their markets according to age group, gender, geography, and other general factors. Internet marketing differs from magazine advertisements, where the goal is to appeal to the projected demographic of the periodical.

   Because the advertiser has knowledge of the target audience - people who engage in certain activities (e.g., uploading pictures, contributing to blogs) - the company does not rely on the expectation that a certain group of people will be interested in its new product or service.

3. **Geo targeting:** Geo targeting (in internet marketing) and geo marketing are the methods of determining the geolocation (the physical location) of a website visitor with geolocation software, and delivering different content to that visitor based on his or her location, such as country, region/state, city, metro code/zip code, organization, Internet Protocol (IP) address, ISP or other criteria

4. **Different content by choice:** A typical example for different content by choice in geo targeting

is the FedEx website at FedEx.com where users have the choice to select their country location first and are then presented with different site or article content depending on their selection.

5. **Automated content:** With automated different content in internet marketing the delivery of different content based on the geographical and other personal information is automated.

E-mail Marketing Types

E-mail marketing can be carried out through different types of e-mails:

Transactional e-mails: Transactional e-mails are usually triggered based on a customer's action with a company. Triggered transactional messages include dropped basket messages, purchase or order confirmation e-mails and e-mail receipts.



The primary purpose of a transactional e-mail is to convey information regarding the action that triggered it. But, due to its high open rates (51.3% compared to 36.6% for email newsletters) transactional e-mails are a golden opportunity to engage customers; to introduce or extend the email relationship with customers or subscribers, to anticipate and answer questions or to cross-sell or up-sell products or services.

Many e-mail newsletter software vendors offer transactional e-mail support, which gives companies the ability to include promotional messages within the body of transactional e-mails. There are also software vendors that offer specialized transactional e-mail marketing services, which include providing targeted and personalized transactional e-mail messages and running specific marketing campaigns (such as customer referral programs).

Direct e-mails: Direct e-mail involves sending an e-mail solely to communicate a promotional message (for example, an announcement of a special offer or a catalog of products). Companies usually collect a list of customer or prospect e-mail addresses to send direct promotional messages to, or they can also rent a list of e-mail addresses from service companies.

Advantages and Disadvantages of E-retailing

Advantages

1. In any business organization, advertisement cost constitutes a major expense in the operations of the business organization. However, Internet marketing has promised to significantly reduce the cost of advertisement. For example accumulating e-mail addresses and sending newsletters through the Internet is relatively cheaper compared to traditional marketing strategies.
2. Due to the popularity of the Internet in the modern world, almost all organizations have a

website. Making good use of the website can significantly reduce the cost of advertisement.

3. The ability of the organization to track the rate of return on investment. For example, click-through feedbacks as well as responses to e-mails from customers enable the organization to rate the effectiveness of their marketing strategies.
4. The instant delivery of the message enables organizations to make their marketing campaigns faster and facilitates immediate responses or communications between the customer care department and the customers.
5. It enables an organization to personalize messages or more effectively select the targeted clientele. For example, different electronic marketing strategies can be employed for the youths, professionals and other categories of customers.
6. It can easily and effectively be integrated with the traditional marketing strategies. For example, a brief advertisement on the print media can guide a potential customer to the company's website for more detailed information on the product.

Disadvantages

1. Electronic marketing is limited by the ability of the consumer to access and use Internet services. Although there is an increased popularity of Internet services in the modern world, a large number of consumers are unable to use or have no access to Internet services.
2. It is important to note that spam filters that have become very essential to majority of the users are a major limitation to the effectiveness of e-marketing. There are concerns over the high number of commercial messages being filtered because the spam filters consider them illegitimate.
3. It has intensified competition which is a major barrier to new entrants in the global market.

Opt in E–marketing

Opt-in e-mail advertising, or permission marketing, is a method of advertising via email whereby the recipient of the advertisement has consented to receive it. This method is one of several developed by marketers to eliminate the disadvantages of e-mail marketing.

Opt-in e-mail marketing may evolve into a technology that uses a handshake protocol between the sender and receiver. This system is intended to eventually result in a high degree of satisfaction between consumers and marketers. If opt-in e-mail advertising is used, the material that is emailed to consumers will be "anticipated". It is assumed that the consumer wants to receive it, which makes it unlike unsolicited advertisements sent to the consumer. Ideally, opt-in e-mail advertisements will be more personal and relevant to the consumer than untargeted advertisements.

A common example of permission marketing is a newsletter sent to an advertising firm's customers. Such newsletters inform customers of upcoming events or promotions, or new products. In this type of advertising, a company that wants to send a newsletter to their customers may ask them at the point of purchase if they would like to receive the newsletter.

With a foundation of opted-in contact information stored in their database, marketers can send out promotional materials automatically it is known as Drip Marketing. They can also segment their promotions to specific market segments.

The Seven C's of E-marketing

The Internet allows for the entire sales cycle to be conducted on one medium, nearly instantaneously. From making the consumer aware of the product to providing additional information to transacting the final purchase, the Internet can accomplish it all. The Internet is like one big point-of-sales display, with easy access to products and the ability for impulse shopping. Impulse shoppers have found a true friend in the Internet. Within seconds from being made aware of a product, consumers can purchase it online. Further, with the targeting techniques available to advertisers, consumers who turn down a product because of the price can be identified and served a special offer more likely to result in a purchase. In the right hands, with the right tools, the Internet really is an advertiser's dream come true.

As opposed to the 4 Ps of brick-and-mortar marketing, the changing outlook in the area of e-marketing can be explained on the basis of 7 Cs of e-marketing.

C1 - Contract: The e-marketer's first goal is to communicate a core promise for a truly distinctive value proposition appealing to the target customers.

C2 - Content: refers to whatever appears on the website itself and on hot linked websites. If chosen appropriately, it can increase both the rates at which browsers are converted into buyers and their transactions.

C3 - Construction: The promises made by e-marketers are not unique to the Internet, but the medium's interactive capabilities make it easier for them to deliver on their promises quickly, reliably, and rewardingly. In practice, this means that promises must be translated into specific interactive functions and Web design features collectively giving consumers a seamless experience. Such design features as one-click ordering and automated shopping help deliver the promise of convenience.

C4 - Community: Through site-to-user and user-to-user forms of interactivity (such as chat rooms), e-marketers can develop a core of dedicated customers who become avid marketers of the site too.



C5 - Concentration: Targeting through online behavioral profiling. Advertisers have known for some time that behavioral targeting (a.k.a., profiling) is vastly superior to simple demographic targeting. Knowledge of a consumer's past purchases interests, likes/dislikes, and behavior in general allows an advertiser to target an

advertisement much more effectively. Department stores have long kept track of consumers' past purchases. They are thus able to project what other types of products a consumer might be interested in and then send an appropriate coupon or sale offer. Credit card companies are the ultimate gatherers of behavioral targeting information. They maintain vast databases of cardholders' past transactions, and they sell lists of this data to advertisers. The same type of behavioral model is forming on the Internet. Publishers and advertisement networks monitor the items that a consumer has expressed interest in or purchased on a site (or network of sites) in the past and target advertisements based on this information.

C6 - Convergence: We will soon enter the next round of the e-marketing battle as broadband reaches the masses. The Internet will become more ubiquitous and wireless; televisions will become more interactive; video/data/voice appliances will converge; brand advertising and direct marketing practices will integrate; domestic brands, commerce and marketing will become even more global; and big marketing spenders will spend more money online. Many companies that are well positioned today will need to continue to evolve to take advantage of the opportunities. The success of Internet advertising companies will largely be driven by how they maneuver among the coming developments.

Rich media, brought on by broadband, will allow advertisers much greater creativity by bringing in new types of advertising to the Internet, as well as enhancing some of the more traditional forms. Broadband technology will allow the convergence of television and the Internet. Dubbed "interactive TV," in its simplest form, will consist of a television with some interactive capabilities. Basically, a user will see a television screen that is three-quarters traditional television, but with a frame that has Internet capabilities. This frame will allow users to access up-to-the-minute sports scores or news on the Web, for example. More importantly for e- marketers, it would allow viewers to immediately leap to the website of an advertiser whose ad was being shown. The user could find out more information or order the product right there.

C7 - Commerce: The last emerging fundamental of e-marketing is commerce, whether it includes offering goods and services directly, or marketing those of another company for a fee, thus helping to cover the fixed costs of site operations and to offset customer acquisition costs.

To be successful on the Internet, e-marketers will have to do more than reproduce their off-line business models on line because these business models work only at considerable scale.

Traditional Marketing Vs E-marketing

Technology affects traditional ways of marketing in three ways. IT increases efficiency in marketing, it transforms marketing strategies and it changes the consumer behavior due to the power shift from firms to those who use technology.

Benefits of e–marketing over traditional marketing are:

E-mail marketing (on the Internet) is popular with companies for several reasons:

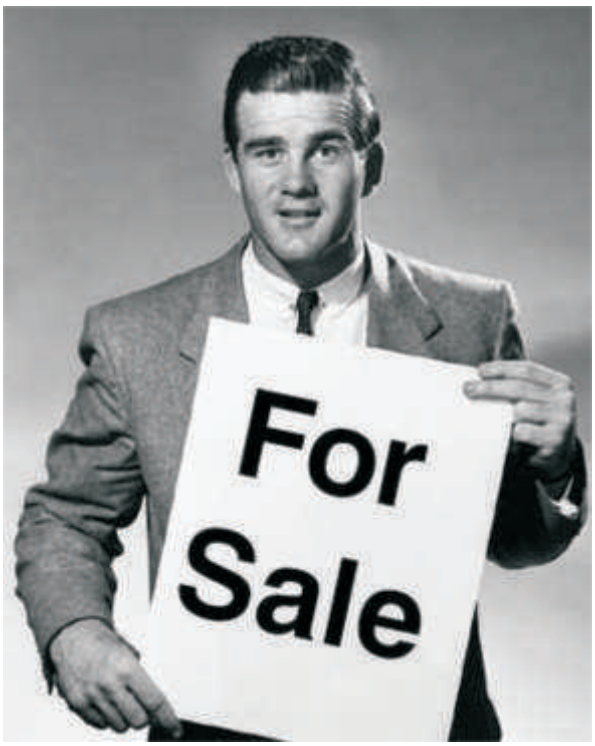
- An exact return on investment can be tracked ("track to basket") and has proven to be high when

done properly. E-mail marketing is often reported as second only to search marketing as the most effective online marketing tactic.

- E-mail Marketing is significantly cheaper and faster than traditional mail, mainly because of high cost and time required in a traditional mail campaign for producing the artwork, printing, addressing and mailing.
- Advertisers can reach substantial numbers of e-mail subscribers who have opted in (i.e., consented) to receive email communications on subjects of interest to them.
- Almost half of American Internet users check or send e-mail on a typical day, with e-mail blasts that are delivered between 1 am and 5 am local time outperforming those sent at other times in open and click rates.
- E-mail is popular with digital marketers, rising an estimated 15% in 2009 to £292m in the UK.

Disadvantages over Traditional Marketing are:

A report issued by the e-mail services company Return Path, as of mid-2008 e-mail deliverability is still an issue for legitimate marketers. According to the report, legitimate e-mail servers averaged a delivery rate of 56%; 20% of the messages were rejected, and 8% were filtered.



Companies considering the use of an e-mail marketing program must make sure that their program does not violate spam laws such as the United States' Controlling the Assault of Non-Solicited Pornography and Marketing Act (CAN-SPAM), the European Privacy and Electronic Communications Regulations 2003, or their Internet service provider's acceptable use policy

Further, there are a number of differences that we can show through are view of some of what distinguishes E-Marketing with Traditional Marketing comparison, which can be summarized as:

The Differences	E-Marketing	Traditional Marketing
Contact	Interactive ease of communication and direct customer contact received a referrer of customers in terms of requests and inquiries and complaints. To ensure continuous interaction with them.	Contact from one side

Relationship	Build long-term.	Implementation of one deal.
Display of goods	Offering goods or services you want to marketing via its website no matter the number or variety.	Cannot be done in the traditional marketing if the amount of space does not permit this.
Information	Provide them with information of value for goods and services directly.	The limited information provided about the product or services.
Cost	Methods of digital marketing is less expensive and easy in implementation.	Traditional marketing methods more expensive.
Target customers	Accessible to the client where the target was.	Difficulty in reaching the targeted customers.
Band	Digital marketing open field in front of everyone no matter their experience or their potential to market their goods without distinction between capital companies and the average person or small company Ltd.	Limited range.
Promotion	Helping customers to access you out of local border to international markets is unlimited. Thereby bypassing the territorial limits of his whereabouts which ensure a more popular for that good or service.	Specified for that particular time and place.
Measuring return	Easy to measure the return on investment.	Difficult to measure return on investment.
Measuring Success	Evaluate and measure the success of any advertising campaign and to identify the strengths and.	Difficult to measure when the use of traditional marketing.

Source: *http://www.expressarab.net/en/digital-marketing/the-difference-between e-marketing-traditional-marketing.*

Exercise: Assignment

1. Conduct a seminar with your batch mates to discuss the concepts, advantages, disadvantages and evolution of e-marketing from traditional marketing and write a detailed report on your learning from the seminar.
2. What are various attributes of e-marketing? Discuss with the help of suitable examples.

3. Explain types of e-marketing.

Assessment

A. Fill up the blanks

1. Rich media, brought on by _____, will allow advertisers much greater creativity by bringing in new types of _____ to the Internet, as well as enhancing some of the more traditional forms. Broadband technology will allow the convergence of television and the Internet.
2. _____ can reach substantial numbers of email subscribers who have opted in (i.e., consented) to receive e-mail _____ on subjects of interest to them.
3. A common example of _____ is a newsletter sent to an advertising firm's _____.
4. With _____ different content in internet marketing the delivery of different content based on the _____ and other personal information is automated.

B. True or false

1. Electronic marketing is limited by the ability of the consumer to access and use Internet services.
2. Traditional marketing methods enable an organization to personalize messages or more effectively select the targeted clientele.
3. E-marketing has weakened the competition which has removed a major barrier to new entrants in the global market.
4. E-marketing can easily and effectively be integrated with the traditional marketing strategies.
5. Due to the unpopularity of the Internet in the modern world, only a few organizations have a website.
6. As opposed to the 4 P's of brick-and-mortar marketing, the changing outlook in the area of e-marketing can be explained on the basis of 6 C's of e-marketing.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Understand the meaning of e-marketing.

- Know the attributes of e-marketing.
- Discuss advantages and disadvantages of e-marketing.
- State 7 C's of e-marketing.
- Distinguish between traditional marketing and e-marketing.

Part B

Discussed the following in the class:

- What is e-marketing?
- What are various attributes of e-marketing?
- Discuss various advantages and disadvantages of e-marketing?
- What are the 7 C's of e-marketing?
- Distinguish between traditional marketing and e-marketing.

Part C

Performance Standards

Students demonstrate the generic, technical, professional and organizational knowledge and skills in order to perform up to the required standards. The performance standards may include but not limited to:

Performance Standards	Yes	No
Able to know the meaning of e-marketing.		
Able to discuss the attributes of e-marketing.		
Able to identify the advantages of e-marketing.		
Able to identify the disadvantages of e-marketing.		
Able to explain 7 C's of e-marketing.		
Able to discuss the evolution of e-marketing from traditional marketing.		

EXHIBIT 2

Relevancy Becomes More Relevant to Emailers – *Al Urbansky May 13, 2013, Direct Marketing News*

Making e-mail more relevant to consumers is harder for e-commerce marketers than driving conversion rates, according to a survey of more than 200 online retailers and brand marketers conducted by Bronto at its recent customer summit. Asked to cite their biggest challenge in deriving more revenue from emails, 31% replied "making email targeted and relevant", compared to 24% who said "driving orders".

"They're all familiar with what relevancy means, but they're still wrestling with how to execute it", says Kevin Skurski, director of marketing communications for Bronto. "How to get people to open e-mails they've been talking about that for so long. Driving relevance is a little fuzzier to them".

Conversion rate had no equal as the key driver of e-mail revenue, named by 58% of attendees, though list growth had a strong showing at 30%. How respondents answered, however, seems to depend on whether marketers defined "key revenue driver" in the present or the future. "A lot of these people have done a great job optimizing conversion rates", Skurski says. "But there is a growing segment of them who say, 'If we could keep converting at the same rate but grow our list". The issue of relevancy, interestingly, became nearly irrelevant when email marketers were asked what they saw as the biggest benefit of marketing automation. Half said "triggered messages" and a third responded "less work for me". Delivery of relevant messages was named by fewer than 20%. "When we ask our customers what their biggest marketing challenges are, one of the first things they say is that they don't have the time or the resources to do what they'd like to do. So it wasn't a surprise to see many of them answer 'less work', Skurski says. "But their response could also speak to their understanding of what marketing automation can really do". e-mailers have surely recognized that the desktop PC is no longer the sole repository of their messaging. Seventy percent said that the most important function of using mobile marketing methods is reaching consumers on their preferred devices. Attesting to the heavy representation of e-coms in attendance, only 5% said that location-based messaging was mobile's greatest contribution to the marketer's toolbox. Geolocation of prospects, meanwhile, becomes ever more important as a traffic driver for their brick-and-mortar brethren.

Source: *http://www.dmnews.com/relevancy-becomes-more-relevant-to-emailers/article/ 293176/*

SESSION 3: TELEMARKETING

Relevant Knowledge

Introduction

Telemarketing has been around for a number of years, but still remains a very powerful lead generation and sales tool, if it is done well. Telemarketing can give immediate results and can be used to reach a wide range of objectives; whether it is lead generation, appointment setting, attendees to seminars, customer surveys or data cleansing. It is a chance to talk to other businesses in a non-threatening, non-sales environment. Telemarketing is, quite simply, marketing through telecommunications.

What is Telemarketing?

While telemarketing tends to be most strongly associated with thick skinned individual hammering their way through a list in search of sales leads, it is actually a very broad term that applies to a multiplicity of both inbound and outbound telephone marketing. The often quoted growth in telemarketing is due largely to the huge increase in the number of call centres handling high volume inbound and outbound business/consumer calls. This work includes for example, handling

responses to an advertising campaign, or calling existing customers to offer additional services. Generally a differing set of skills are required for inbound and outbound telemarketing, but this article concentrates on the latter, which tends to involve a wider range of selling skills.

Importance of Telemarketing

Very few companies can survive without sales and for many companies telemarketing is, or should be, the first stage of the sales process. It can be used for database building, lead generation, customer retention, cross selling and market research, the list of the benefits of telemarketing is long. There are also many downsides to telemarketing if it is done badly, expensive, high staff turnover, poor results and ultimately brand damage and lower sales.

Telemarketing delivers reliable information quickly, allowing your sales team to make the most effective use of their time. Telemarketing gathers the specifics that your field sales team need in a non-threatening, non-sales environment. Telemarketing identifies the needs and exact requirements of your customers and prospects. The results of telemarketing are completely measurable, accurate and immediate. You will always get a response, whether you make the sale or not, which helps with data gathering and data records. Records of these responses will aid when planning your customer relationship management.

Telemarketing is a completely interactive medium. It is an excellent way to speak to the right people and let them know exactly who you are and what you do. Then when it comes to contacting them in the future they will have a good awareness and understanding of yourselves. Unlike mass marketing, there is no delay between the implementation and the response; it is immediate. The communication is completely one-to-one and personalised. Because it is so targeted you know exactly who you are contacting and therefore can refer to them by their name and their past contact.

Personalisation is known to increase success rates by three times more than non personalised messages. Also 80% of customers like to do business by phone. The marketer can tailor the telemarketing script for the individual to encourage maximum success rates. For example, special offers for new and valuable customers. Telemarketing's characteristics allows relationship marketing to occur and an increase in loyalty. You can get a lot of information across if the script is properly structured. Telemarketing allows questions/queries to be asked and answered during the conversation which establishes trust and understanding.

Telemarketing is very effective when integrated. Using telemarketing to follow up the leads produced from an e-mail marketing campaign or direct marketing campaigns will increase the leads by at least ten fold.

Whilst using telemarketing, multiple objectives can be fulfilled at the same time. For example a telemarketing team can ring a contact and check their data is correct in the system (data cleansing) while doing this, they can then go onto making a sales call.

Telemarketing Procedure

Telemarketing may be done from a company office, from a call centre, or from home. It may involve either a live operatoroice broadcasting which is most frequently associated with political messages.

An effective telemarketing process often involves two or more calls. The first call (or series of calls) determines the customer's needs. The final call (or series prospective customers are identified by various means, including past purchase history, previous requests for information, credit limit, competition entry forms, and application forms. Names may also be purchased from another company's consumer database or obtained from a telephone directory or another public list. The qualification process is intended to determine which customers are most likely to purchase the product or service.

Charitable organizations, alumni associations, and political parties often use telemarketing to solicit donations. Marketing research companies use telemarketing techniques to survey the prospective or past customers of a client's business in order to assess market acceptance of or satisfaction with a particular product, service, brand, or company. Public opinion polls are conducted in a similar manner.

Telemarketing techniques are also applied to other forms of electronic marketing using e-mail or fax messages, in which case they are frequently considered spam by receivers.

Call Centers – The Telemarketing Imperative

A call centre or call center is a centralised office used for the purpose of receiving or transmitting a large volume of requests by telephone. An inbound call centre is operated by a company to administer incoming product support or information inquiries from consumers. Outbound call centers are operated for telemarketing, solicitation of charitable or political donations, debt collection and market research. In addition to a call centre, collective handling of letter, fax, live chat, and email at one location is known as a contact centre.



A call centre is operated through an extensive open workspace for call centre agents, with work stations that include a computer for each agent, a telephone set/headset connected to a telecom switch, and one or more supervisor stations. It can be independently operated or networked with additional centres, often linked to a corporate computer network, including mainframes, micro computers and LANs. Increasingly, the voice and data pathways into the centre are linked through a set of new technologies called Computer Telephony Integration (CTI).

A contact centre, also known as customer interaction centre is a central point of any organization from which all customer contacts are managed. Through contact centres, valuable information about company are routed to appropriate people, contacts to be tracked and data to be gathered. It is generally a part of company's Customer Relationship Management (CRM). Today, customers contact companies by telephone, e-mail, online chat, fax, and instant message.

Call Center Technology



Call centre technology is subject to improvements and innovations. Some of these technologies include speech recognition software to allow computers to handle first level of customer support, text mining and natural language processing to allow better customer handling, agent training by automatic mining of best practices from past interactions, support automation and many other technologies to improve agent productivity and customer satisfaction. Automatic lead selection or lead steering is also intended to improve efficiencies, both for inbound and outbound campaigns, whereby inbound calls are intended to quickly land with the appropriate agent to handle the task, whilst minimizing wait times and long lists of irrelevant options for people calling in, as well as for outbound calls, where lead selection allows management to designate what type of leads go to which agent based on factors including skill, socio-economic factors and past performance and percentage likelihood of closing a sale per lead.

The concept of the Universal Queue standardizes the processing of communications across multiple technologies such as fax, phone, and e-mail whilst the concept of a Virtual queue provides callers with an alternative to waiting on hold when no agents are available to handle inbound call demand.

Premise-based Call Centre Technology: Historically, call centres have been built on PBX equipment that is owned and hosted by the call centre operator. The PBX might provide functions such as Automatic Call Distribution, Interactive Voice Response and Skills-Based Routing. The call centre operator would be responsible for the maintenance of the equipment and necessary software upgrades as released by the vendor.

Virtual Call Centre Technology: With the advent of the Software as a service technology delivery model, the virtual call centre has emerged. In a virtual call centre model, the call centres operator does not own, operate or host the equipment that the call centre runs on. Instead, they subscribe to a service for a monthly or annual fee with a service provider that hosts the call centre telephony equipment in their own data centre. Such a vendor may host many call centres on their equipment. Agents connect to the vendor's equipment through traditional PSTN telephone lines, or over Voice over IP. Calls to and from prospects or contacts originate from or terminate at the vendor's data centre, rather than at the call centre operator's premise. The vendor's telephony equipment then connects the calls to the call centre operator's agents.

Virtual Call Centre Technology allows people to work from home, instead of in a traditional, centralised, call centre location, which increasingly allows people with physical or other disabilities that prevent them from leaving the house, to work.

Cloud Computing for Call Centres: Cloud computing for call centres extends cloud computing to Software as a service, or hosted, on-demand call centres by providing application programming interfaces (APIs) on the call centre cloud computing platform that allow call centre functionality to be integrated with cloud based Customer relationship management, such as Salesforce.com or Oracle CRM and leads management and other applications.

The APIs typically provide programmatic access to two key groups of features in the call centre platform:

Computer Telephony Integration (CTI) APIs provide developers with access to basic telephony controls and sophisticated call handling on the call centre platform from a separate application.

Configuration APIs provide programmatic control of administrative functions of the call centre platform which are typically accessed by a human administrator through a Graphical User Interface (GUI).

Advantages and Disadvantages of Telemarketing

Benefits of using Telemarketing: The main benefit of using telemarketing to promote your business is that it allows you to immediately gauge your customer's level of interest in your product or service. Additionally it allows you to do the following:

- Provide a more interactive and personal sale service.
- Create an immediate rapport with your customers.
- Explain technical issues more clearly.
- Generate leads and appointments.
- Sell from a distance to increase your sales territory.
- Reach more customers than with in-person sales calls.
- Sell to both existing and new customers.
- Achieve results that are measurable.

Disadvantages of Telemarketing: There can be as many negatives using telemarketing as there are positives. In particular, you need to consider that:

- Telemarketing can be resented-particularly when dealing with business-to-consumer customers, and when calls are made in the evenings.
- Customer lists may not always be clean and opted-out this leaves you with a potential risk of breaking the law.
- Customer lists can be very costly.
- Telemarketing has a negative image that could damage your business' reputation - if carried out poorly.
- Telemarketing has the potential to replace a sales team and this could lead to negative feelings among employees.
- Training staff can be time-consuming and costly.
- You may need to prepare a script.
- An outside service provider can result in your losing control over your sales processes because the people doing the work aren't your employees.

Business to Business Telemarketing



Telemarketing can form an integral part of a sales and marketing campaign, either as a tool for gathering the data that will be the foundation for your direct marketing approaches, as a follow up to other forms of direct marketing, or as an up-front weapon for identifying your best sales prospects. The most common functions of business to business outbound telemarketing include:

Improving marketing data: At a basic level this may include gathering the contact details of decision makers and their usage of products and services relevant to your market, but further probing can deliver more in-depth information perhaps on distribution channels for example.

Tele-cleaning your existing data: It's your data, but is it a valuable asset? Only if it's clean and accurate. A professional team of telemarketers can ensure that your data doesn't embarass you or let you down.

Lead generation: Using a team of dedicated telemarketers to do this tough, up-front work can make more cost-effective use of your often highly paid field sales or telesales executives by allowing them to focus on closing sales rather than chasing prospects.

Event planning: If you're investing money in marketing events - perhaps a seminar to introduce your company to likely sales prospects in your target market, or presenting a new product or service to potential customers. Telemarketing is an effective way to ensure the right people turn up in the right numbers. This method is often used as a follow up to a targeted mailing.

Direct mail follow-up: Telephone follow up to mailings is proven to increase returns, by between three and seven times as much in some cases.

Point-of-sale promotion: For those distributing products through multiple channels, regular contact with distributors or resellers has numerous benefits. It can ensure that they are familiar with your products and have the right marketing materials to sell them successfully, but can also achieve the difficult goal of keeping your product/service at the forefront of their minds.

Company profiling: This offers the opportunity to go beyond the type of superficial prospect data held by most businesses and gain a full understanding of how potential customers operate. Information on aspects such as their decision making processes and who they currently purchase from enables much better tailoring of sales and marketing approaches.

Customer contact: While all of the above functions are relevant to existing and potential customers, there is scope for more creative uses of telemarketing that have particular relevance to previous/existing customers. For example: you've set up a new website - so call your customers to introduce them to this new way of doing business with them. Or if you change location or company

name - as well as writing to your customers, call them and perhaps take the opportunity to pass on new product information and/or a special offer.

B2C Strategies

B2C marketing strategies as also discussed in previous sections can be defined as the company that provides goods or services to a consumer based market. B2C marketing examples include targeted marketing to the retail consumer online stores purchases, etc the term discount marketing 'B2C' is rarely used these days, but undoubtedly played an important role in the rapid growth and development of commerce at the end of the 20th century. Later, when the capital markets slowed, many companies marketing B2C transformed into the marketing Business to Business (B2B) companies.

Some Useful B2C Marketing Strategies

It is clear that the basis of these strategies should be oriented to the consumer as already explained above, and only then become successful marketing strategies. Below are some of the strategies that embrace the houses of business for successful commercialization in order to reach the target consumer market.

- Marketing campaigns: publicity always helps to reach the target market in terms of awareness of the characteristics and the USP of the products. Successful marketing campaigns also arise some jobs marketing B2C, as a representative of the company that goes directly to the potential consumers and gives to know the products/services offered by the company. This is mainly done in the B2C marketing offline.
- Online advertising strategies: strategies of advertising online such as PPC and Podcast are some of the sources more effective and efficient advertising online in various search engines.
- Other strategies like social marketing, channel marketing etc. are also useful to generate awareness amongst buyers about the respective brands.

Success Factors of Telemarketing

Some people are skeptical of the cost effectiveness of certain types of telemarketing, and many marketers feel it is most appropriate to dealings with existing customers. But those who close their minds to wider opportunities risk missing out. Steve Massie, Marketing Manager of Desktop Engineering is clear about its overall value: 'Done properly, telemarketing will give you better quality market information than any other source. The whole point about telemarketing is that it allows you to talk to people on a one to one basis and gather information of a depth and accuracy you might not otherwise be able to get.' But Steve feels too many squander these opportunities: 'The problem is that most people don't do it properly. They don't target enough and misuse the technique which only ends up annoying people.'

Wijnand Mes, Marketing Manager for IBM Software Group UK, is also unimpressed by the overall standard of telemarketing calls he receives: 'Most are of poor quality by inexperienced individuals. I think telemarketing works best when supported by a personalised direct mailing as part of an integrated marketing communications process.'

So what makes for a successful telemarketing campaign? Of course the pioneers of telemarketing operated in less sophisticated markets and were able to throw together programmes of pretty much any sort to catch people's attention; they did not need the highly developed skills that today's telemarketers must have to extract valuable information from call weary prospects.

Getting a good return from your telemarketing investment will require:

Planning: Company needs to consider its budget, its objectives for the volume/quality of data they want and their in-house resources, in terms of manpower, skills and equipment compared to the cost of using an outside agency.

Telemarketing rarely stands on its own: Organization needs to establish how it integrates with its other sales and marketing activities.

Accurate data: As with all direct marketing methods, accurate data is the essential foundation for success. Naturally, successful targeting rests on speaking to the right decision makers and getting data that includes this information may cost more but the outcomes are consistently more profitable.

A good script: An effective telemarketing script is actually not a script at all but a guide for the discussion that steers the listener in the direction you want him/her to go. It must be tailored to the target audience, must grab the attention of the listener within a few seconds of the conversation, and must be highly interactive; long presentations of information can be frustrating for the listener who is then less likely to focus on the issue being presented. The guide/script should be refined in the early stages of a campaign according to quality of responses received.

Skilled telemarketers: No matter how well targeted the call is nor how well thought out the script, a wooden and inflexible caller will not deliver the goods. To achieve the desired outcomes the telemarketer must have a good knowledge of the company and product/service they represent, be able to talk intelligently around the structure of the script without getting side tracked, absorb all the negative responses, and talk persuasively to people at all levels.

Exercise: Assignment

1. Visit a call center in your city, observe the patterns of work, tasks and activities performed by employees and write a detailed report on findings.
2. Explain the business to business telemarketing with suitable real life example of some successful telemarketing concern.

Assessment

A. Fill in the blanks

1. Telemarketing can form an integral part of a _____, either as a tool for gathering the data that will be the foundation for your _____ approaches.
2. _____ APIs provide developers with access to basic telephony controls and sophisticated call handling on the _____ platform from a separate application.
3. _____ allows people to work from home, instead of in a traditional, centralised, call centre location, which increasingly allows people with _____ that prevent them from leaving the house, to work.
4. An effective _____ is actually not a script at all but a guide for the that _____ steers the listener in the direction you want him/her to go.

B. Multiple choice questions

1. Getting a good return from telemarketing investment will require:
   a) Logistic supplies
   b) Call center technologies
   c) Brand loyalty
   d) Planning
2. The most common functions of business to business outbound telemarketing does not include:
   a) Lead generation
   b) Contract management
   c) Event planning
   d) Company profiling
3. Which one of the following is not the advantage of telemarketing?
   a) Sell from a distance to increase your sales territory
   b) Reach more customers than with in-person sales calls
   c) Sell to both existing and new customers
   d) You may need to prepare a script
4. Which one of the following is the call center technology?
   a) Virtual call center technology
   b) Direct mail follow up
   c) Point-of-sale promotion
   d) Skilled telemarketers

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Understand the meaning of telemarketing.
- Identify the importance, advantages and disadvantages of telemarketing.
- Analyze the procedure of telemarketing.
- Identify the telemarketing technologies.
- Distinguish between B2B and B2C methods of telemarketing.
- Understand the success factors of telemarketing.

Part B

Discussed the following in the class:

- What is telemarketing?
- Importance of telemarketing and associated issues.
- Telemarketing technology concerns.
- B2B and B2C telemarketing strategies.
- Success factors of telemarketing.

Part C

Performance Standards

Students demonstrate the generic, technical, professional and organizational knowledge and skills in order to perform up to the required standards. The performance standards may include but not limited to:

Performance Standards	Yes	No
Able to know the meaning of telemarketing.		
Able to discuss the importance of telemarketing.		
Able to identify the telemarketing technologies.		
Able to identify the advantages and disadvantages of telemarketing.		
Able to distinguish B2B and B2C strategies.		
Able to discuss the success factors of telemarketing.		

EXHIBIT 3

TELEMARKETING - New Age Technology Turns Telemarketers into Tech

November 2001 by Sharon Cole for Target Marketing

Live chat rooms aren't just for Internet happy friends who tap and click their way through conversations. It seems some telemarketers also are wiring into this popular resource as a way to communicate with customers wanting quick, real-time responses to basic inquiries. At least this is the case for USA-800, Kansas City, MO. With new tech-savvy tools such as live chat, e-mail, instant Web-page pushing and click-to-call options, the primarily inbound contact center is able to service customers using a keyboard and a mouse.

"Our conversion from a call center to a contact center is defined by flat growth rates in toll free phone usage and an increasing rate of Internet use", says USA-800 president and CEO Tom Davis. "Because of this shift, I'm encouraging more direct marketers to set up interactive Web sites that incorporate tools that humanize their customers' online experience".

The Human Touch

Through live chat, customers navigating a direct marketer's Web site are able to get on demand responses. Not only that, but "chatting" agents can handle three or four customer requests at one time-something they can't do on the phone. Davis explains that many Internet-adept users prefer the convenience even if they have to give up some human interaction. For those wanting a more personal connection, however, the click-to-call option exists.

"This allows Web-browsing consumers to input their phone numbers and then click the option triggering a telemarketing agent to call them immediately", Davis says.

At this point, instant Web page pushing can be enabled. While conversing, the agent can push through a Web page that is pertinent to the browsing consumer's inquiry. "We call this 'Web collaboration'," Davis says. "We can even use our wipe board technology that enables the agent to draw on the screen that is seen by the agent and customer simultaneously".

By clicking on an option to send an inquiry via e-mail, consumers can expect a response within 24 to 48 hours-an accepted time frame for e-mail users.

Because of this diversification, Davis says business is growing and revenues are up. And because direct marketers are pouring money into new web sites, they need to outsource their high-traffic online customer queries, he adds. In addition, they need to move the perpetual costs of changing technology to a contact center that can spread the cost across its client base.

"Our customers want to focus on their core competencies so they are letting us handle the advancing technology", Davis says. "Now we are much more integrated with our clients' marketing programs and we've become the experts who can give them advice".

Positive effects on the staff also have resulted from the new technology. Davis reports that employee morale has boosted while turnover rates have declined, which he attributes to

increased responsibility, new challenges and job variation. “Agents are developing new skill sets to handle Internet communication", says Davis. "Instead of spending eight hours on the telephone, reps spend time on the Internet, the phone and researching inquiries".

Telephone Technology

At The Telemarketing Co. (TTC), Chicago, IL, telemarketing reps are Internet accessible in a different way. According to TTC's vice president of sales and marketing Bob Aloisio, Telephone Service Representatives (TSRs) receive phone calls and input order information that is then automatically sent to the cataloger via the Internet. While direct marketers appreciate the quick reporting provided through the Internet, Aloisio says, it's TTC's new telephone technology that is getting the most praise. Such technology includes an Interactive Voice Response (IVR) system, a Computer Telephone Integration (CTI) link for inbound callers and a sophisticated recording system to monitor calls for quality assurance.

"IVR is the voice message callers hear when they initially contact our center. It tells the caller which number to press to get the information they are looking for," Aloisio says. Acting as a screening device, IVR allows more qualified calls to come through to the center, while diverting other calls to their appropriate location. "This results in increased responses and makes for greater efficiency in our center", Aloisio says. "It also brings down billing for our clients since reps are not spending unnecessary phone time with a customer they cannot directly assist”.

With a CTI link on inbound calls, Aloisio explains that the computer reads the dialed number and activates the correct order entry form to instantly appear on the telemarketer's screen. "By the time the call is routed to an available operator, that rep will be able to see what the customer is calling for and can then handle it appropriately and efficiently", he says.

To ensure the quality of service, TTC also has incorporated monitoring systems through which it can record conversations to be sent to clients digitally through e-mail. "The calls are monitored and recorded to detect a rep's strengths and weaknesses in call handling", Aloisio says. "In addition, recorded conversations can be sent to clients for further quality assurance or for specific inquiries regarding their business".

Total Response, Indianapolis, IL, also uses IVR to better service its clients, including providing member authorizations for EyeMed Vision Care, a national provider of vision health coverage with a four million member network. To handle the overload, Jodonna Hunter, director of marketing, says that steps were taken to add online vision benefit authorization for EyeMed, allowing providers access to pertinent information via the company's Web site.

Through IVR, providers are prompted to enter the required information for authorizations through their phone keypad. Providers without complete information are routed to Total Response where call center representatives are on hand to answer questions and determine vision authorization coverage benefits. "Total Response was able to do this by connecting the Total Response and EyeMed networks via a 56k leased line allowing agents for both companies access to real-time data", Hunter explains.

Advantages for Direct Marketers

Finding a contact center that could align its computer system with EyeMed's own system was at the top of EyeMed's wish list of call center capabilities. And, according to Stanley Staiger, EyeMed's senior manager of operations, Total Response's networking capabilities and technical expertise fulfilled that desire. "The key to Total Response handling our authorizations calls was its ability to link our respective AS/400 systems", Staiger says. "It's customer service reps literally saw the exact information our service reps saw which facilitated training, communication and quality control".

Staiger adds that the IVR system significantly reduced EyeMed's operator-assisted call volume which resulted in better response times and more satisfied customers. For the American Historic Society, Westlake Village, CA, it is TTC's upgraded telephone system that has been a great advantage.

"The Telemarketing Company's IVR system asks our customers whether they have a customer service question or if they want to order something and, if they need customer service, the call is hot transferred to our California center" says Don Baker, vice president of marketing at the American Historical Society. "This technology allows three companies to appear as one which makes it much easier for our customers". In addition, Baker says it saves his company money since the customer doesn't have to talk to two or three reps before getting an answer. "And that increases our customer satisfaction, which increases ordering", he adds.

TTC's recorded monitoring system also receives kudos from Baker. "Their technology allows them to digitally send us, via e-mail, any recorded question a customer needs answered by us personally", Baker says. "That has proven to be an important customer satisfaction tool for us". Baker adds that being able to log on and monitor a live situation has also been helpful. "We are able to listen to calls and instantly make adjustments, such as a change in upsells, which has tremendously improved our sales", he says.

Source: *http://www.targetmarketingmag.com/article/telemarketing-new-age-technologyturns-telemarketers-into-tech-29020/1*

SESSION 4: INTERNET BUSINESS

Relevant Knowledge

Introduction

Electronic business, or e-business, may be defined as the application of Information and Communication Technologies (ICT) in support of all the activities of business. Commerce constitutes the exchange of products and services between businesses, groups and individuals and can be seen as one of the essential activities of any business. Electronic commerce focuses on the use of ICT to enable the external activities and relationships of the business with individuals, groups and other businesses.



E-business may be defined as the conduct of industry, trade and commerce using the computer networks. The term “e-business" was coined by IBM's marketing and Internet teams in 1996.

Electronic business methods enable companies to link their internal and external data processing systems more efficiently and flexibly, to work more closely with suppliers and partners, and to better satisfy the needs and expectations of their customers. The internet is a public through way. Firms use more private and hence more secure networks for more effective and efficient management of their internal functions.

In practice, e-business is more than just e-commerce. While e-business refers to more strategic focus with an emphasis on the functions that occurs using electronic capabilities, e-commerce is a subset of an overall e-business strategy. e-commerce seeks to add revenue streams using the World Wide Web or the Internet to build and enhance relationships with clients and partners and to improve efficiency using the Empty Vessel strategy. Often, e-commerce involves the application of knowledge management systems.

E-business involves business processes spanning the entire value chain: electronic purchasing and supply chain management, processing orders electronically, handling customer service, and cooperating with business partners. Special technical standards.

For e-business facilitate the exchange of data between companies. E-business software solutions allow the integration of intra and inter firm business processes. E-business can be conducted using the web, the Internet, intranets, extranets, or some combination of these.

Basically, Electronic Commerce (EC) is the process of buying, transferring, or exchanging products, services and/or information via computer networks, including the internet. EC can also be beneficial from many perspectives including business process, service, learning, collaborative, community. EC is often confused with e-business.

Internet Business Subsets

Applications can be divided into three categories:

1. Internal Business Systems:
   - Customer Relationship Management (CRM)
   - Enterprise Resource Planning (ERP)
   - Document Management System (DMS)
   - Human Resources Management (HRM)

2. Enterprise Communication and Collaboration:
   - VoIP
   - Content Management System
   - E-mail
   - Voicemail
   - Web Conferencing
   - Digital work flows (or business process management)
3. Electronic Commerce: Business-to-business electronic commerce (B2B) or business-to-consumer electronic commerce (B2C):
   - Internet shop
   - Supply chain management
   - Online marketing
   - Offline marketing

Internet Business Models



When organizations go online, they have to decide which e-business models best suit their goals. A business model is defined as the organization of product, service and information flows, and the source of revenues and benefits for suppliers and customers. The concept of e-business model is the same but used in the online presence. The following is a list of the currently most adopted e-business models such as:

- E-shops
- E-commerce
- E-procurement
- E-malls
- E-auctions
- Virtual Communities

Classification by provider and consumer

Roughly dividing the world into providers/producers and consumers/clients one can classify e-businesses into the following categories:

- Business-to-Business (B2B)
- Business-to-Consumer (B2C)

- Business-to-Employee (B2E)
- Business-to-Government (B2G)
- Government-to-Business (G2B)
- Government-to-Government (G2G)
- Government-to-Citizen (G2C)
- Consumer-to-Consumer (C2C)
- Consumer-to-Business (C2B)

It is notable that there are comparably less connections pointing "upwards" than "downwards" (few employee/consumer/citizen-to-X models).

Internet Business Issues

While much has been written of the economic advantages of Internet-enabled commerce, there is also evidence that some aspects of the internet such as maps and location-aware services may serve to reinforce economic inequality and the digital divide. Electronic commerce may be responsible for consolidation and the decline of mom-and-pop, brick and mortar businesses resulting in increases in income inequality.

Security



E-business systems naturally have greater security risks than traditional business systems, therefore it is important for e-business systems to be fully protected against these risks. A far greater number of people have access to e-businesses through the internet than would have access to a traditional business. Customers, suppliers, employees, and numerous other people use any particular e-business system daily and expect their confidential information to stay secure. Hackers are one of the great threats to the security of e-businesses. Some common security concerns for e-Businesses include keeping business and customer information private and confidential, authenticity of data, and data integrity. Some of the methods of protecting e-business security and keeping information secure include physical security measures as well as data storage, data transmission, anti-virus software, firewalls, and encryption to list a few.

Privacy and Confidentiality: Confidentiality is the extent to which businesses makes personal information available to other businesses and individuals. With any business, confidential information must remain secure and only be accessible to the intended recipient. However, this becomes even more difficult when dealing with e-businesses specifically. To keep such information secure means protecting any electronic records and files from unauthorized access, as well as ensuring safe transmission and data storage of such information. Tools such as encryption and firewalls manage this specific concern within e-business.

Authenticity: E-business transactions pose greater challenges for establishing authenticity due to

the ease with which electronic information may be altered and copied. Both parties in an e-business transaction want to have the assurance that the other party is who they claim to be, especially when a customer places an order and then submits a payment electronically. One common way to ensure this is to limit access to a network or trusted parties by using a virtual private network (VPN) technology. The establishment of authenticity is even greater when a combination of techniques are used, and such techniques involve checking "something you know" (i.e. password or PIN), "something you need" (i.e. credit card), or "something you are" (i.e. digital signatures or voice recognition methods). Many times in e-business, however, "something you are" is pretty strongly verified by checking the purchaser's "something you have" (i.e. credit card) and "something you know" (i.e. card number).

Data integrity: Data integrity answers the question "Can the information be changed or corrupted in any way?" This leads to the assurance that the message received is identical to the message sent. A business needs to be confident that data is not changed in transit, whether deliberately or by accident. To help with data integrity, firewalls protect stored data against unauthorized access, while simply backing up data allows recovery should the data or equipment be damaged.

Non-repudiation: This concern deals with the existence of proof in a transaction. A business must have assurance that the receiving party or purchaser cannot deny that a transaction has occurred, and this means having sufficient evidence to prove the transaction. One way to address non-repudiation is using digital signatures. A digital signature not only ensures that a message or document has been electronically signed by the person, but since a digital signature can only be created by one person, it also ensures that this person cannot later deny that they provided their signature.

Access control: When certain electronic resources and information is limited to only a few authorized individuals, a business and its customers must have the assurance that no one else can access the systems or information. Fortunately, there are a variety of techniques to address this concern including firewalls, access privileges, user identification and authentication techniques (such as passwords and digital certificates), Virtual Private Networks (VPN), and much more.

Availability: This concern is specifically pertinent to a business' customers as certain information must be available when customers need it. Messages must be delivered in a reliable and timely fashion, and information must be stored and retrieved as required. Because availability of service is important for all e-business websites, steps must be taken to prevent disruption of service by events such as power outages and damage to physical infrastructure. Examples to address this include data backup, fire-suppression systems, Uninterrupted Power Supply (UPS) systems, virus protection, as well as making sure that there is sufficient capacity to handle the demands posed by heavy network traffic.

Common security measures

Many different forms of security exist for e-businesses. Some general security guidelines include areas in physical security, data storage, data transmission, application development, and system administration.

Physical security: Despite e-business being business done online, there are still physical security measures that can be taken to protect the business as a whole. Even though business is done online, the building that houses the servers and computers must be protected and have limited access to employees and other persons. For example, this room should only allow authorized users to enter, and should ensure that "windows, dropped ceilings, large air ducts, and raised floors" do not allow easy access to unauthorized persons. Preferably these important items would be kept in an air-conditioned room without any windows.

Protecting against the environment is equally important in physical security as protecting against unauthorized users. The room may protect the equipment against flooding by keeping all equipment raised off of the floor. In addition, the room should contain a fire extinguisher in case of fire. The organization should have a fire plan in case this situation arises.

In addition to keeping the servers and computers safe, physical security of confidential information is important. This includes client information such as credit card numbers, checks, phone numbers, etc. It also includes any of the organization's private information. Locking physical and electronic copies of this data in a drawer or cabinet is one additional measure of security. Doors and windows leading into this area should also be securely locked. Only employees that need to use this information as part of their job should be given keys.

Important information can also be kept secure by keeping backups of files and updating them on a regular basis. It is best to keep these backups in a separate secure location in case there is a natural disaster or breach of security at the main location.

"Failover sites" can be built in case there is a problem with the main location. This site should be just like the main location in terms of hardware, software, and security features. This site can be used in case of fire or natural disaster at the original site. It is also important to test the "failover site" to ensure it will actually work if the need arises.

State of the art security systems, such as the one used at Tidepoint's headquarters, might include access control, alarm systems, and closed-circuit television. One form of access control is face (or another feature) recognition systems. This allows only authorized personnel to enter, and also serves the purpose of convenience for employees who don't have to carry keys or cards. Cameras can also be placed throughout the building and at all points of entry. Alarm systems also serve as an added measure of protection against theft.

Data storage: Storing data in a secure manner is very important to all businesses, but especially to e-businesses where most of the data is stored in an electronic manner. Data that is confidential should not be stored on the e-business' server, but instead moved to another physical machine to be stored. If possible this machine should not be directly connected to the internet, and should also be stored in a safe location. The information should be stored in an encrypted format.

Any highly sensitive information should not be stored if it is possible. If it does need to be stored, it should be kept on only a few reliable machines to prevent easy access. Extra security measures should be taken to protect this information (such as private keys) if possible. Additionally,

information should only be kept for a short period of time, and once it is no longer necessary it should be deleted to prevent it from falling into the wrong hands. Similarly, backups and copies of information should be kept secure with the same security measures as the original information. Once a backup is no longer needed, it should be carefully but thoroughly destroyed.

Data transmission and application development: All sensitive information being transmitted should be encrypted. Businesses can opt to refuse clients who can't accept this level of encryption. Confidential and sensitive information should also never be sent through e-mail. If it must be, then it should also be encrypted.



Transferring and displaying secure information should be kept to a minimum. This can be done by never displaying a full credit card number for example. Only a few of the numbers may be shown, and changes to this information can be done without displaying the full number. It should also be impossible to retrieve this information online.

Source code should also be kept in a secure location. It should not be visible to the public.

Applications and changes should be tested before they are placed online for reliability and compatibility.

System administration: Security on default operating systems should be increased immediately. Patches and software updates should be applied in a timely manner. All system configuration changes should be kept in a log and promptly updated.

System administrators should keep watch for suspicious activity within the business by inspecting log files and researching repeated logon failures. They can also audit their e-business system and look for any holes in the security measures. It is important to make sure plans for security are in place but also to test the security measures to make sure they actually work. With the use of social engineering, the wrong people can get a hold of confidential information. To protect against this, staff can be made aware of social engineering and trained to properly deal with sensitive information.

E-businesses may use passwords for employee logons, accessing secure information, or by customers. Passwords should be made impossible to guess. They should consist of both letters and numbers, and be at least seven to eight digits long. They should not contain any names, birth dates, etc. Passwords should be changed frequently and should be unique each time. Only the password's user should know the password and it should never be written down or stored anywhere. Users should also be locked out of the system after a certain number of failed logon attempts to prevent guessing of passwords.

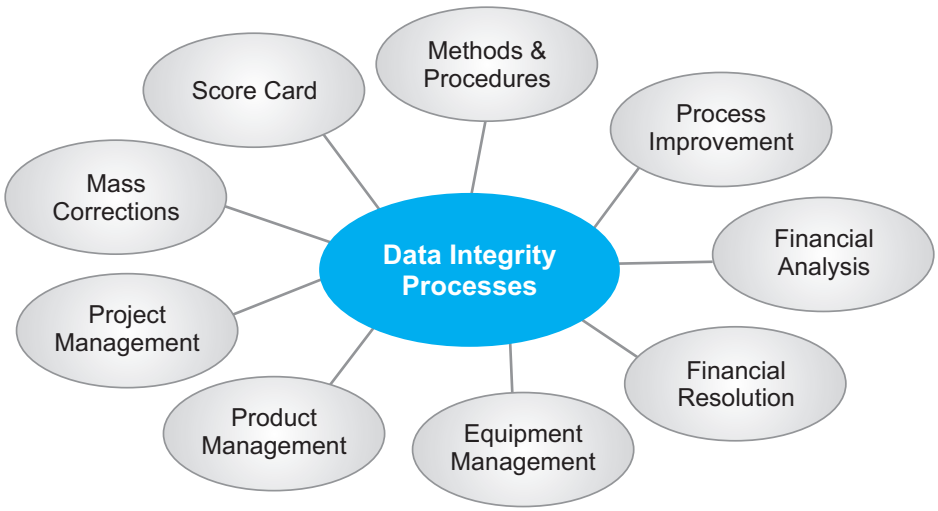
Security Solutions

When it comes to security solutions, there are some main goals that are to be met. These goals are data integrity, strong authentication, and privacy.

Access and data integrity: There are several different ways to prevent access to the data that is kept online. One way is to use anti-virus software. This is something that most people use to protect their networks regardless of the data they have. E-businesses should use this because they can then be sure that the information sent and received to their system is clean. A second way to protect the data is to use firewalls and network protection. A firewall is used to restrict access to private networks, as well as public networks that a company may use.

The firewall also has the ability to log attempts into the network and provide warnings as it is happening. They are very beneficial to keep third-parties out of the network. Businesses that use Wi-Fi need to consider different forms of protection because these networks are easier for someone to access. They should look into protected access, virtual private networks, or internet protocol security. Another option they have is an intrusion detection system.

This system alerts when there are possible intrusions. Some companies set up traps or "hot spots" to attract people and are then able to know when someone is trying to hack into that area.



Source: http://www.executivesupportsystems.com/DataIntegrity.aspx

Encryption: Encryption, which is actually a part of cryptography, involves transforming texts or messages into a code which is unreadable. These messages have to be decrypted in order to be understandable or usable for someone. There is a key that identifies the data to a certain person or company. With public key encryption, there are actually two keys used. One is public and one is private. The public one is used for encryption, and the private for decryption. The level of the actual encryption can be adjusted and should be based on the information. The key can be just a simple slide of letters or a completely random mix-up of letters. This is relatively easy to implement

because there is software that a company can purchase. A company needs to be sure that their keys are registered with a certificate authority.

Digital certificates: The point of a digital certificate is to identify the owner of a document. This way the receiver knows that it is an authentic document. Companies can use these certificates in several different ways. They can be used as a replacement for user names and passwords. Each employee can be given these to access the documents that they need from wherever they are. These certificates also use encryption. They are a little more complicated than normal encryption however. They actually used important information within the code. They do this in order to assure authenticity of the documents as well as confidentiality and data integrity which always accompany encryption. Digital certificates are not commonly used because they are confusing for people to implement. There can be complications when using different browsers, which means they need to use multiple certificates. The process is being adjusted so that it is easier to use.

Digital signatures: A final way to secure information online would be to use a digital signature. If a document has a digital signature on it, no one else is able to edit the information without being detected. That way if it is edited, it may be adjusted for reliability after the fact. In order to use a digital signature, one must use a combination of cryptography and a message digest. A message digest is used to give the document a unique value. That value is then encrypted with the sender's private key.

Web browser discrimination: Vendors of e-commerce are able to determine the type of browser that is used by the customer. Some vendors offer different pricing which they determine based on the browser that the customer is using.

Exercise: Assignment

1. Discuss in detail, the telemarketing technologies required by organizations.

_____

_____

_____

2. Write a note on issues related to the internet marketing in today's context.

_____

_____

_____

3. Explain internet business models with the help of suitable examples.

_____

_____

_____

Assessment

A. Fill up the blanks

1. _____ concern deals with the existence of proof in a transaction.
2. Data that is _____ should not be stored on the e-business' server, but instead moved to another _____ to be stored.
3. Despite e-business being business done _____, there are still physical security measures that can be taken to _____ the business as a whole.
4. _____ is the extent to which businesses makes personal information available to other _____ and individuals.
5. While _____ refers to more strategic focus with an emphasis on the functions that occur using electronic capabilities, _____ is a subset of an overall e-business strategy.

B. True or false

1. Encryption, which is actually a part of cryptography, does not involve transforming texts or messages into a code which is unreadable.
2. E-businesses may use passwords for employee logons, accessing secure information, or by customers.
3. E-business transactions pose no challenges for establishing authenticity due to the ease with which electronic information may be altered and copied.
4. Storing data in a secure manner is very important for few e-Businesses, where most of the data is stored in an electronic manner.
5. It is best to keep these backups in a separate secure location in case there is a natural disaster or breach of security at the main location.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Understand the meaning of e-business.
- Know the subsets of e-business.
- Discuss the internet business models of various types.
- Analyze number of issues associated with internet business.

Part B

Discussed the following in the class:

- What is e-business or internet business?

- What are various subsets of internet business?
- Discuss various issues related to internet business in today's business scenario.

Part C

Performance Standards

Students demonstrate the generic, technical, professional and organizational knowledge and skills in order to perform up to the required standards. The performance standards may include but not limited to:

Performance Standards	Yes	No
Able to know the meaning of e-business.		
Able to discuss the importance of e-business.		
Able to identify the e-business subsets.		
Able to identify the e-business models.		
Able to explain various e-business issues.		

EXHIBIT - 4

Snapdeal, Bright Lifecare get Intel funding

PTI | Jun 7, 2013, 07.15 PM IST, Times of India

New Delhi: Intel Capital, Intel Corp's global investment and M&A unit, today said it will invest $16 million in three e-commerce ventures across Asia, including two Indian firms - Bright Lifecare and Snap deal. Intel Capital would invest in three e-commerce firms seeking to scale up and extend their businesses in Asia, Intel Capital said in a statement.

The three beneficiaries include India's Bright Lifecare, a distributor of nutrition, health and wellness products; Snapdeal.com, a consumer goods marketplace in India; and existing portfolio company Singapore's Reebonz.com, one of Asia's largest private luxury goods retailers.

"Intel Capital focuses on adding unique and differentiated value beyond just financial investments by providing entrepreneurs strategic expertise, a global network and business development programmes to help them reach new customers and successfully scale businesses for a global economy", Intel Capital president and Intel executive vice president Arvind Sodhani said. Sodhani further added that "these three exciting and innovative companies are delivering new e-commerce experiences to an ever-increasing customer base. We look forward to helping them grow and succeed through our resources and their passion".

Growth in Asia's middle-class, overall expansion of its economy and ever improving internet connectivity in the region has given rise to a considerable online retail market opportunity for

these firms. "We are glad to have a leading venture capitalist like Intel Capital as our investor as we gear for the next level of growth", Bright Lifecare co-founders Prashant Tandon and Sameer Maheshwari said.

Commenting on the investment, Kunal Bahl, co-founder & CEO of Snapdeal.com said, "We look forward to building a successful enterprise that rewards the entire ecosystem of our buyers, sellers, team members and shareholders, by gaining from Intel Capital's knowledge in this space which they have gained through their diverse global portfolio".

Source: *http://timesofindia.indiatimes.com/tech/tech-news/internet/Snapdeal-Bright-Lifecare-get-Intel-funding/articleshow/20479454.cms?*

UNIT 6

RETAIL POINT-OF-SALE: AN OVERVIEW

Relevant Knowledge



A retail POS (Point-of-Sale) is the first and last interaction that customers have in a store, and it is the center of all phone calls and computer work. It needs to be functional, inviting and well-designed in order to meet the needs of the customers and the employees.

So in short we can say that a 'Point-of-Sale' refers to the area of a store where customers can pay for their purchases. The term is normally used to describe systems that record financial transactions.

Point-of-sale (POS) (also referred to as point-of-purchase (POP) or checkout, is the location where a transaction occurs. A "checkout" refers to a POS (Point-of-Sale) terminal or more generally to the hardware and software used for checkouts, the equivalent of an electronic cash register. A POS terminal manages the selling process by a salesperson accessible interface. The same system allows the creation and printing of the receipt. In 1992 Martin Goodwin and Bob Henry created the first point of sale software that could run on the Microsoft Windows platform named IT-Retail. Since then a wide range of POS applications have been developed on platforms such as Windows and UNIX. The availability of local processing power, local data storage, networking, and graphical user interface made it possible to develop flexible and highly functional POS systems. Cost of such systems has also declined, as all the components can now be purchased off-the-shelf. The key requirements that must be met by modern POS systems include: high and consistent operating speed, reliability, ease of use, remote supportability, low cost, and rich functionality. Retailers can reasonably expect to acquire such systems.

UNDERSTANDING COMPONENTS OF POINT-OF-SALES

Relevant Knowledge

Computerized Point-of-Sale (POS) systems provide a retail business with the ability to monitor sales and control inventory in real time, by using checkout registers to categorize sales as they occur. They typically run on standard computer hardware, connecting with specialized peripherals to speed the sales process.

The oldest and simplest POS system is the cash register, but there are many limitations to only monitoring cash flow i.e. cash register can help a retailer in monitoring only the cash inflow and out flow but apart from that there are many other kind of key information which he may be needed hence comes in the picture 'POS'.

POS systems use the ability of databases and specialized data entry to instantly categorize sales by type, taxation status and inventory impact. They may integrate with marketing systems to allow immediate sale to customers, recommending impulse purchases at the register based on current and past purchase history.

There are two broad categories of POS systems:

- The hardware and software combination and
- The target business segment of the POS system.

Most POS software runs on computer hardware, but is differentiated by the accessories that are applied to each system. Data entry can be done with a standard keyboard (inexpensive, but prone to data entry errors and slow use), electronic scanners, a touch-screen LCD or a wireless hand-held device carried by the sales staff (e.g., a waiter). Information distribution required to make the sale (e.g., transmitting an order to the kitchen) can be done with specialized software or paper receipt printers. Finally, the purchase itself can be processed with integrated credit card readers and a computerized cash drawer.

Point to remember

We have to understand that POS systems also differentiate themselves through their target markets i.e. the sales needs of a retail business differ greatly from those of a restaurant or a hotel. These differences are handled through specialized software for each market segment, which minimizes complexity by only displaying relevant business information to each employee and manager in the business operation. It means the Point-of-Sale differ in a retail store than in a restaurant.

Let us try and understand each component of a Point-of-Sale (POS) in detail-

a) Back Office Server



The back office server is the brain. The back office server is essentially the main computer where pertinent company information, such as prices and sales reports, are programed and stored. This component also acts as the main information source for the network if multiple units are in use throughout the establishment. No matter how many computers are included in the business network, the back office server will be the component where all applicable software is downloaded.

b) Monitors



Monitors are essential POS components. The monitor is the screen where sales staff views sales information as a transaction is in progress. As items are added, staff can view the list of accumulated items, price, tax, savings, subtotals, totals and any other applicable information related to the type of business being conducted. The monitor operates in conjunction with the back office server and other components such as a mouse, cash drawer, printer and sometimes a keyboard (unless a touch-screen monitor is installed that all allows for keyless entries).

c) Bar-Code Scanner



Bar code scanners retrieve coded pricing information using a laser beam for various items. These components are often flat glass at the base of the counter near the cash register, with a laser beam beneath the glass to capture the bar code. Some bar code scanners are hand-held, enabling salespeople to scan items that are too large or heavy to be lifted to a counter.

Interesting Fact About Bar Codes

a) The first commercial barcode scanning operation took place in 1974 in Troy, Ohio (US) at Marsh's Supermarket. The item was a Wrigley's Doublemint Gum.

b) There are over a hundred of different bar code symbols were invented, however, only a half-dozen are used regularly.

c) Statistically, the typical typist will make one mistake in 300 keystrokes. The chance of a misread bar code symbol is somewhere between one in a million and one in four trillion!

d) Cash Drawer



Most retail POS systems have electronic cash drawers. POS systems at retail stores will most often have an electronic cash drawer. It is used to hold money collected for goods or services.

e) Keyboards



Keyboards is used with the back office server. The keyboard is used to enter items, pricing information, updates and all other information essential to running the business. Even when touch-screen monitors are used at work-station terminals, keyboards may still be useful in entering any notes, details or modifications to the purchased goods or services.

Interesting Facts about Keyboard

- Most modern keyboards use the "qwerty" layout. This name comes from the first five letters on the top row.
- The qwerty layout was designed for manual typewriters initially by Christopher Sholes all the way back in 1872.

f) Printer



One small printer is usually added to the POS system. This component can be programmed from the back office server to produce customized receipts or invoices for customer use. The printer may also be used for printing sales reports or employee time cards.

g) Magnetic stripe readers



Credit card payments are a must. Magnetic stripe readers (MSR) are used to capture credit or debit card information to process sales. An MSR component can be attached to the work station terminal to enable a customer to swipe a credit card at the time of payment.

Wasn't it was interesting to know the key components of a POS system. Let's hope that next time when you go to a retail store you will notice and observe all these key instruments carefully.

Assessment

Exercise

(a) What is a bar code scanner and what are its key functions?

_____

_____

(b) Identify the following instruments and the key function performed by them.



1) _____

_____

_____



2) _____

_____

_____

3) _____

_____

_____



Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity.

Part A

- What is point-of-sale in a retail store?
- What are the key constituents of a computerized point-of-sales system?

Part B

Discussed the following in the class:

- What is a back office server?
- What is a Key board?
- What is Point-of-Purchase?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

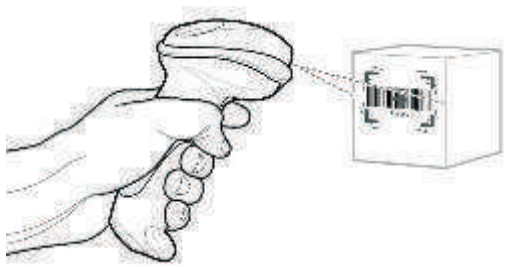
Performance Standards	Yes	No
Able to understand and identify different POS constituents in a retail store.		
Able to understand and explain the concept of Point-of-Sale and its importance in a retail store.		

UNDERSTANDING THE PROCESS OF POINT-OF-SALE

Relevant Knowledge

After knowing the key components of a POS system, let us now try and understand that how all these components work together in synchronization to give the best results to a retailer.

Step 1: Scanning the Products



When you go to the last destination in a retail store, the final action is making payments to what you have purchased. You will notice that the person standing at the POS system scan all the products with a bar code scanner to log the prices and qualities in their machine. Bar code scanner uses a laser beam to read the information coded in the bar code.

Step 2: Receiving Payments



Merchants use point-of-sale (POS) systems to take customer payments by credit card[1]/debit card or cash. Payments are collected immediately in a store that uses a POS system to run the payment. The terminals that are used in POS systems are typically connected directly to a bank that can credit the user's account and show payment on the merchant's books. A financial tracking system is connected to POS terminals through systems that process credit and debit card payments.

Step 3: Printing the Bill



POS equipment can print copies of the sale for the customer and the merchant. Exchanges and refunds also can be run through the system, and the bill can be printed when a merchant has a printer attached to the system.

Step 4: Cash Drawer



Merchants running POS systems usually attach a cash drawer to the system to hold the credit card receipts. POS systems also tie in cash payments through the same program and open the cash draw when each transaction is completed.

And the transaction is complete! Isn't that so simple and in a logical sequence.

Assessment

Exercise

Visit a near by Retail store and note down the steps in Point-of-Sale.

Activity

(a) Write the correct sequence in completing a POS activity.

_____

_____

Fill in the blanks

(a) All the prices and quantities are logged in the system through a _____.

(b) Copy of the transaction is printed by a _____.

(c) Merchant on the POS collect the payment from the customers through _____, _____ and _____.

1A credit card is a payment card issued to users as a system of payment. It allows the cardholder to pay for goods and services based on the holder's promise to pay for them later.

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity.

Part A

- What is the first step on a POS counter?
- Bar code reader uses-to read the encoded information in a bar code.

Part B

Discussed the following in the class:

- What is a cash drawer?
- What is a credit card?

Part C

Performance standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to understand how transaction at POS happens.		
Able to understand the key steps involved in POS transaction.		

LEARNING POINT OF SALE MARKETING

Relevant Knowledge

Point of sale marketing, commonly known as point-of-purchase advertising, attracts retail shoppers at the point-of-a-purchase. In other words, point-of-sale (POS) marketing attracts shoppers into buying additional products or services at checkout. Point-of-sale marketing utilizes display to catch a shopper's attention; displays can range from signs and banners to coupon dispensers and video advertisements at the cash register. Regardless of the type of display, POS marketing often results in impulsive purchases.



Types of Point-of-Sale Marketing

Point-of-sale displays come in many shapes and forms; regardless of type, they often are eye-catching and engaging. Traditional displays and signage are the most widely and commonly used in retail stores today. These types of POS displays include specific shelf signage, kiosks, coupon dispensers and banners.

Digital signage emerged in the late 2000s and has replaced many traditional print display tactics.

Free samples or enticing discounts and offers often accompany POS displays.



Importance of POS Marketing

Point-of-sale marketing generates new product awareness, trial and ultimately purchase. While most shoppers purchase an item they found on the shelf, offers, discounts and samples near the point-of-purchase often lead to shoppers switching brands.

Interesting way to measure the success of POS Marketing: Eye Tracking

Advances in eye-tracking technology have allowed researchers to track shopper eye movement along store shelves and POS displays. A study conducted for the Journal of Consumer Research explored the correlation between eye fixation and purchase, finding that consumers look at brands in one of two ways-either noting the brand (a simple look) or gazing at the brand (viewing it over the course of several seconds). The study found that POS displays that coincide with brand recall and gaze more often lead to impulsive purchases.

Assessment

Activity

A) Make a visit to your nearest modern retail store and make a list of products kept near the POS area.

_____

_____

_____

_____

Exercise

Why is POS marketing important?

Fill in the blanks

(a) Point-of-sale marketing utilizes _____ to catch a shopper's attention'.

(b) Point-of-sale marketing, commonly known as _____ .

(c) POS marketing often results in impulsive _____ .

(d) Various types of POS displays include _____, _____, _____ and _____.

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity.

Part A

- What is POS Marketing?
- What is impulse buying?

Part B

Discussed the following in the class:

- Why POS marketing is important?
- What technique is used to measure the success of a POS marketing?

Part C

Performance standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to understand basics of POS Marketing.		
Able to understand the important of POS marketing and its significance in retail business.		

UNIT-4 BILLING AND ACCOUNTING PROCEDURES IN RETAILING

Unit Code: RS-408 NQ-2012	Unit Title: Billing and Accounting Procedures in Retailing			
Location: **Classroom Retail Shop or Departmental Store**	**Duration: 25 Hours**			
	Session 1: Billing Procedures			
	Learning Outcome	**Knowledge Evaluation**	**Performance Evaluation**	**Teaching and Training Method**
	1. Describes the Basic Understanding & Competencies for Billing Personnel	1. State various types of Billing and Accounting Heads 2. Understanding basic accounting terminologies related with Billing & Accounting Procedures. Example: Service Tax, Sales Tax, VAT, Other Duties etc.	1. Calculate the routine Accounting and Billing Transactions 2. Explain the various taxes and duties related with Billing to Customer	**Interactive lecture:** Understanding Basic Accounting and Billing Procedures. **Activity:** Role Plays and Activities based on Billing and Accounting Procedures.
	2. Handle the various Modes of Payments during Billing Process	1. Describe various Modes of Payment. 2. State the precaution to be taken while handling the modes of Payments 3. Understanding uses of Various Equipments used in Payment Process	1. Differentiate between various modes of Payments 2. Collect and Operate various Payment Modes 3. Operational Knowledge of Various Equipments in Payment Process	**Interactive Lecture:** Based on Modes of Payment **Activity:** On-the-job to handle payments in retail organization.
	Session 2: Fundamentals of Accounting			
	1. Understand the objectives, characteristics and types of accounting	1. Describe the objectives of accounting procedure in retailing	1. Apply the fundamental accounting procedure	**Interactive lecture:** Objectives, Characteristics and types of Accounting

	5. Analyze the applicability of the accounting principles and explain the advantages and limitations of accounting.	1. Describe the accounting principles. 2. State the advantages and limitations of accounting	1. Adopt the suitable accounting principles as per the retail business. 2. Identify the advantages and limitations of accounting	**Interactive lecture:** Accounting Principles and advantages & limitations of accounting **Activity:** Visit to retail store and observe what kind of accounting principles adopted in the retail business.
	Session 3: Journal, Ledger and Subsidiary Books			
	1. Describe the features, contents of journal	1. Describe the features of journal 2. State the contents of journal	1. Identify the features of journal 2. Select the suitable contents of journal	**Interactive lecture:** Features and contents of journal **Activity:** Visit to retail hyper market and on-the-job to prepare journal based on giving retail transactions.
	2. Explain how to posting the entries in the ledger and what are the formalities followed for preparation ledger	1. Describe the features of ledger 2. Understand the formalities followed for preparation of ledger	1. Identify the features of ledger 2. Select the formalities followed for posting, entries in the ledger	**Interactive lecture:** Preparation of ledger **Activity:** Visit to retail hyper market and on-the-job to posting retail accounting entries in the ledger.
	3. Classify the subsidiary books and explain how to prepare them	1. Describe the meaning of subsidiary books 2. Procedure to record the transaction in subsidiary books	1. Appreciate the important of subsidiary books 2. How to record the transaction in subsidiary books 3. How to posting entries in	**Interactive lecture:** Preparation of subsidiary books **Activity:** Visit to the retail store and on-the-job training to preparation of

		3. Procedure to posting entries in ledger account from the subsidiary books	ledger account from the subsidiary books	subsidiary books from the giving retail business transactions.
	4. Explain the types of cash book and how to prepare different cash books	1. Describe the types of cash book. 2. Procedure to prepared different types of cash books.	1. Identify the types of cash book. 2. Prepare different types of cash books.	**Interactive lecture:** Preparation of different types of cash books. **Activity:** Visit to retail hyper market and on-the-job to preparation of different types of cash books and balancing correctly.
	5. Describe the features of bank reconciliation statement and explain the procedure for reconciliated the cash and pass books	1. Describe the features of bank reconciliation statement 2. Procedure for reconciliated the cash and pass books transactions	1. Identify the features of bank reconciliation statement 2. Prepared the bank reconciliation statement.	**Interactive lecture:** Preparation of bank reconciliation statement **Activity:** Visit to the retail store and on the-job to preparation of bank reconciliation statement.
	Session 4: Trading, Profit & Loss Account and Balance Sheet			
	1. Describe the Procedure involve in preparation of trading account	1. State the various terms to be entered in trading account 2. Explain the steps of preparation of trading account	1. Differentiate between trading and profit and loss account 2. Prepare a trading account from the given balances of trial balance.	**Interactive Lecture:** Preparation of the Trading account **Activity:** Prepare a trading account from a given trial balance of a retail firm.
	2. Describe the Procedure involve in preparation of profit & loss account	1. State the various terms to be entered in profit & loss account 2. Explain the	1. Demonstrate the items coming under profit & loss account 2. Prepare a	**Interactive Lecture:** Preparation of the profit & loss account



		steps of preparation of profit & loss account	profit & loss account from the given balances of ledger.	**Activity:** Prepare a profit & loss account from a given trial balance of a retail firm. **Activity:** Prepare a trading account from a given trial balance of a retail firm.
	3. Appreciate the balance sheet and how to prepare a balance sheet in retailing	1. State the items to be entered on the assets and liability side of balance sheet 2. Use fullness of balance sheet.	1. Differentiate between balance sheet & trading and profit & loss account 2. Different between current assets and fixed assets 3. State the importance of preparation of balance sheet.	**Interactive Lecture:** Balance sheet **Activity:** Visit to the retail store and observe how to prepare trading profit and loss accounts and balance sheet from given balances and prepare a report.

Introduction

We all know that “cash is king” is the mantra of any well run business. Cash is the fuel that drives growth when times are good, and the cushion that helps weather the storm when times are rough. Yet few companies focus on optimizing all the business processes that get cash “in the door”. To start, let’s look at the process of “getting cash in the door” in more detail. First, many steps are involved in the process. A customer has to initiate the process, compelling products and services with pricing that attract attention need to be available and easy to understand, the order needs to be created and fulfilled, billing preferences need to be established, and payment collected.

Billing automation and an integrated, end-to-end customer life-cycle management solution approach help to minimize the risks by providing seamless work flows and a unified 360º view of a customer’s current and past interactions with your business. With complete, accurate information available to your customer service representative, or to your customer directly, customer satisfaction can be maximized.

Whatever kind of mercantile activity be there, it needs the basic knowledge of retail accounting. Retail market is one of the busiest place and buzzing whole day long with financial and marketing transactions taking place rigorously. It is practically impossible to keep track of all the product





inventories, retail accounting, and other business transactions happening rapidly. Professionals handling the accounting should be efficient enough to keep the record and monitor the transactions on day to day basis without any interruption and errors. Retail accounting experts are capable and experienced enough to keep sharp look at all the records and account maintenance with the years of expertise supporting them. Credit book, inventory, defaulter book, monthly profit and loss records with sales book require extra attention, which retail accounting experts handle efficiently and complete the reports with complete error free data.

Internal controls for a business are similar to checks and balances in the government; they are processes put in place to make sure things stay on the right track. Internal controls are useful for every business but are critical for companies with employees, especially employees who handle valuable assets. Retail businesses in which customers have direct access to small products can also benefit enormously from internal control procedures. While internal controls are crucial for helping you detect dishonesty, they can also help you reduce the risk that simple mistakes will keep you from seeing your company's true financial picture.

Keeping in view of great importance of Billing and Accounting in the retail business we introduce this module. In this module we cover the aspects billing procedures in retailing and accounting procedures in retailing such as fundamental of accounting, preparation of journal and ledgers, trading account, profit & loss account and balance sheet.

Session-1: Billing Procedures

Relevant Knowledge

We all know that “cash is king” is the mantra of any well run business. Cash is the fuel that drives growth when times are good, and the cushion that helps weather the storm when times are rough. Yet few companies focus on optimizing all the business processes that get cash “in the door”. To start, lets look at the process of getting cash in the door” in more detail. First, many steps are involved in the process. A customer has to initiate the process, compelling products and services with pricing that attract attention need to be available and easy to understand, the order needs to be created and fulfilled, billing preferences need to be established, and payment collected.

While this process seems basic, it can vary widely from one type of business to another. More or less complexity can impact one or several steps in the process. Self service, call center, or in person order processes might vary.

Credit policies and payment options might vary by type of customer or size of order. All of these things and others can impact the customer experience at any stage in the process and kill the transaction, leave a bad taste with the customer, or hopefully, create a loyal and satisfied high-value customer.

For purposes of this white-paper, we call this overall process - Customer Life-cycle Management (CLM). It is the end-to-end integrated workflow processes that are involved in any customer interaction. This broad definition is key because optimizing the complete “customer life cycle” from the point at which a customer interaction is initiated, to the point in time when the business has



access to the cash from that interaction, is an area of critical importance and often overlooked or not well understood.

A Competitive Advantage since customer interactions often involve multiple steps, moving from one step to the next involves risk that something might go wrong and negatively impact the customer experience. Billing automation and an integrated, end-to-end customer life-cycle management solution approach help to minimize the risks by providing seamless work flows and a unified 360º view of a customer's current and past interactions with your business. With complete, accurate information available to your customer service representative, or to your customer directly, customer satisfaction can be maximized.

This is critically important in recurring revenue/subscription-based business models where an on-going series of interactions form the customer experience, and ultimately, the business' ability to reliably "get cash in the door". These businesses must manage customers in terms of interactions rather than transactions. Effective order, billing, and payment processes enable organizations to optimize their most frequent communications with their customers in a whole new way. In other words, the billing process is no longer simply a routine, isolated back-office activity, but rather an integrated business strategy that provides competitive advantage.

All Too Common Billing

Misperceptions even in this hyper-competitive day and age, where the Internet has made customer choice easy to attain and bad experiences are broadcast far and wide, order management, billing, and payment processes are often an afterthought. Anyone responsible for the success of a recurring revenue/subscription-based business knows the cost of not executing well can be significant. No one can afford to lose valuable customers because of order, billing, or payment problems.

Worse still, a business' growth potential could be limited or even hampered if it can not adapt and offer flexible billing and payment methods to attract new customers. Who wants to tell the CEO the new product launch will be delayed or the new pricing strategy will not work because "we can't bill for it". Unfortunately, there are several common misperceptions and mistakes companies make when hosing and implementing a billing solution.

A back office system is put in place and while it might meet one critical need (order management, processing credit cards, simple invoice generation, etc.) it does not meet the end-to-end requirements of the total customer life-cycle - customer self service, activation & provisioning, usage processing, delivery, billing options and processing, payment processing, credit and collections, etc.

This "wrong tool for the job" problem often occurs because businesses think a complete solution would be too costly to acquire as well as integrate, customize and then modify, as the business needs change. It is not uncommon to see "home grown" systems built when the business was small that struggle with scale and flexibility, extensive customization to make multiple systems "talk" to each other, or extensive manual processes and spreadsheets used to hold the entire process together.



Success Requires a Plan. For many companies, the back office consists of a plethora of individual point solutions including accounting software, a merchant account, spreadsheets, paper based fulfillment, and lots of notes. Not surprisingly, these systems don't scale as the business grows or form a seamless workflow process. A real plan for scalability and interoperability is need to be part of the initial product/service requirements. Volume of transactions and invoices, complexity in pricing, taxation, inventory, workflow, payments, or sales channels, and integration with complimentary systems all need to be considered in advance and the underlying billing must be able to be configured to support these key customer oriented processes, now and into the future.

The maximum number of customer interaction that one faces in a retail store is the cash counter. Hence it becomes very important to keep the cash counter very efficient and manned at all times. An effective and neat cash counter is a sign of a very professionally managed store.

It's the responsibility of the cash counter in-charge or the head cashier to see to it that each and every cash counter is managed properly. At start of the trading it's important that the cashier assigned to a specific cash counter needs to look into the following points:

- The cash counter is neat and tidy
- To ensure the cash till/POS machine is working
- To check all telephone lines and EDC machines are working
- To ensure stationery is available
- To ensure returns are sent back

Cashiers should ensure that Q-managers are in place in front of the cash counter to avoid crowding of customers in front of the cash desk.

The head cashier should ensure this is practiced religiously every day. Usually a head cashier is expected to generate a report which shows the total number of transactions done in all the cash counters, a detail SKU wise report, a detail tender wise report and a detail report in all individual cash counters which will reflect all the cancellations done, refunds made, and any other specific transaction made apart from the billings made. Based on these reports the head cashier has to submit his daily submission report to the store manager. Also all investigations are done based on these reports. Some software also has the efficiency to generate report period wise, apart from date wise, and also time wise, i.e. between a specific time periods in a day, individually in all cash counters. The more the reports are detailed the easier it becomes for a head cashier to investigate a case.

This highly loaded POS is capable of integrating with all types of POS accessories.

Users reduce the waiting time of their customers at billing counters. They also prevent shrinkage loss at the front end of the store by eliminating chances for malpractices & mistakes. The Key Features retail billing is as under:

- Provisions to capture additional information in invoice helps better tracking in cases of home delivery





- Easy to use Product search interface helps in quick & efficient product search based on different parameters like product code, name, product alias & barcode
- Supports EAN, UPC, GTIN, QR and custom designed bar code scan
- Hold bill is great feature to hold a particular bill & resume it after some time
- Facility to maintain scanned copies of important documents in the software for parcel entry tracking
- Supports Exchange feature which allows setting of multiple exchange prices for the same product
- Supports Exchange scheme in billing. Multiple exchange price can be defined for the same product based on condition
- Supports retail & tax invoice
- Quotation/Proforma/Sales Order/DN to Sales Bill conversion
- Fix price of the product depending on purchase price or as per demand. This results in fixing optimum selling price if same product is purchased at different rates
- Swipe card readers interface to reduce credit/debit card tender time
- Supports all types of payment modes like Cash, Card, Coupon, Gift voucher, mixed payment tender type such as part cash, part credit card, etc
- Auto recovery & Offline billing possible if connection with server is disturbed
- Supports Till Management which facilitates recording of all sales, purchase details & cashing up
- Supports exchange dues
- Due bill payment feature allows processing of unsettled bills
- Facility to maintain manufacturer, supplier & your own product code

Solution Highlights

Easy, Fast & Robust Billing

Enhance billing through the integration of barcode scanners and weighing scale to the POS. The cashier just needs to scan the products & print the bill. In some cases, they can even hold a bill and recall the same thereby serving the long queue of customers faster.

Re-order based on Sales/Stock

Our comprehensive re-order features help you plan replenishment wisely based on previous PO, purchased quantity and item sold quantity for a particular period. You can also generate supplier-wise PO by analyzing last 'N' day, weekly, monthly & yearly sales details.





Purchase Formula & Price Level



Simplify purchase entry for each one of your supplier using our PURCHASE FORMULA with discounts, taxes, freight, etc. It takes one time configuration that helps you to do inward process entry easily without any mistakes & effortlessly.

Effective Day-end Process



You need to have control over the billing counter staff to prevent pilferage. Achieve this by using snapshot, session management, till management & cash hand over features in your POS. In-fact, day-end report will reflect counter-wise excess or shortage of cash accurately.

Repacking, Split & Kit items



Inventory of grocery items which are purchased in bulk quantity and later repacked in small quantities are manageable. Items can also be bundled as a KIT item like gift pack.

Home Delivery & Due Bill



Orders which need to be delivered at the doorstep can be billed as Due bill. Type of payment by customer can be captured later with delivery status.

Credit Card & Coupon Tracking



Entire cycle of debit or credit card and coupon transactions are trackable in detail. Apart from that, you can also trace coupons collection, deposit and reimbursement details.

Swipe Card Reader Interface



By integrating swipe card readers, the job of cashier becomes much more easy. Card payments get captured directly without manual entry and ensures accuracy.

Check Actual & Analyze Status on the go to Support Decision Making

Go-Frugal's report tool is very flexible, easy to use, fully customizable. It provides MIS reports that help decision making, analyzing the trends & competition. This helps you to know the current status of the stores, keeping track of various transactions, etc. This reporting tool includes more than 350 pre-defined reports & designed to take care of all reporting needs of any business. Go-Frugal's Web reporter, an add on product gives you the ability to see reports on the Internet via browser from remote locations. The Key Features of this Web reporter is as follows:

- Report personalization allows you to configure the reports i.e. grouping fields in a report, customizing columns display order, related reports can be grouped/mapped & report filters can be customized.
- Reports can be added to "My report" for frequently viewed reports.





- All reports can be exported to Excel, HTML, PDF & mail formats.
- Comprehensive stock, sales & purchase analysis based on product, distributor, manufacturer, category & returned transaction.
- Supports generation of Inventory Analysis reports such as age analysis, product margin, category-wise stock & excess stock.
- Master data analysis like newly created customers list for a given period.
- Salesman commission analysis based on total value of sales, sales return, commission slab based or product age based.
- Generates list of Top N customer for month, non-regular customers, fast & slow moving products, dead stocks/non-billed products, inventory transaction, etc.
- Supports report scheduler & report security (reports can be configured by each user).
- Supports Day end report for filtering the records on a given date for given bill types & choose the bill to edit (in Bill Entry Screen).
- Generates other reports like Sales & Purchase tax, Price level, Price drop, repack, current stock, stock re-ordered, stock ledger, stock movement, etc.
- Users can create customized report templates by defining & selecting fields.

Telecom Retail Billing

When we talk about telecom billing then by default it is about retail billing. As defined earlier telecom retail billing is defined as follows:

Telecom Billing is a process of collecting usage, aggregating it, applying required usage and rental charges and finally generating invoices for the customers.

Telecom billing process also includes receiving and recording payments from the customers.

Retail billing deals directly with the end customer and comes with lot of challenges to meet end customer expectations and regulatory obligations. A billing is assumed to be successful as long as it is fulfilling following criteria:

- **Timely Billing:** End customer's invoice is being generating on time i.e. nominal date. There may be some circumstances when end customer does not get their invoices on time because of some logistic issues. But it is IT's responsibility to generate all the due bills on due date.
- **Billing Accuracy:** This is most important factor for the customer satisfaction and from regulatory obligation point of view. If billing system is not generating accurate bills then it can lead to serious business issue from legality point of view as well as leaving a customer in unhappy state.

Retail Vs Wholesale Billing

Retail billing deals with end customer and billing an individual customer where as wholesale billing dealing with billing to the following entities depending on situation and nature of business:

- Billing resellers associated with a telecom operator.



- Billing interconnects partners for providing interconnection to make calls to other operators' customers.
- Billing roaming partners for providing services to their customers when they roamed in an operator's coverage area.

Wholesale billing is easy in comparison of retail billing and allows a big level of threshold of tolerance where as retail billing always needs to be 100% accurate. Wholesale billing can never if 100% accurate because of various reasons like difference in prices configured in two operators systems or difference in number of calls rated because some of the calls may got missed at any network element.

There are specialized billing systems which are being used to handle retail billing like Convergys and Amdocs Billing systems are famous for retail billing where as ASCADE and INTEC billing systems are famous for wholesale billing.

Wholesale billing can also be settled using retail billing systems by using simple reports because they do not deal with to many discounts and promotion types where as retail billing needs all these complications and can not be handled using wholesale billing systems.

All the concepts discussed so far in this tutorial was related to retail billing and subsequent chapters will discuss about interconnect billing, roaming billing and other billing types.

Exercise: Assignment

1. List any five key features of retail billing is as under.

_____

_____

_____

2. List out five features of Go-Frugal's Web reporter.

_____

_____

_____

3. What is wholesale billing?

_____

_____

_____

4. Visit two malls or stores of your nearest area observe the billing procedure and write your report comparing of two stores for billing procedure and summarize with suggestions to improve billing in the store.

_____

_____

_____



Note: For this assignment you can gather to 10-20 customers of each store, suggestions on billing procedure of each store.

Assessment

A. Fill in the blanks

1. It's the responsibility of _____ to see that every cash counter is managed properly.
2. _____ features which allows setting of multiple exchange prices for the same product.
3. Auto recovery and _____ is possible is connection with server is distributed.
4. Telecom billing process includes _____ and _____ payments from the customers.
5. Wholesale billing can also be settled using _____.

B. Multiple choice questions

1. Placed cashier is expected to generate report which shows that-
   a) Total number of transaction done
   b) Detail SKU wise report
   c) Detail tender wise report
   d) All the above
2. Orders which need to be delivered at the doorstep can be billed as-
   a) Due bill
   b) Received bill
   c) Accepted bill
   d) None of the above
3. Billing accuracy is most important factor for-
   a) Customer satisfaction
   b) Reseller satisfaction
   c) Purchase satisfaction
   d) None of the above
4. Go-Frugal's report provides-
   a) Comprehensive stock analysis
   b) Sales & purchase analysis based on product,
   c) Distributor, manufacturer, category & returned transaction.
   d) All the above



Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- Describe billing procedures.
- Responsibilities of billing in-charge.

Part B

Discussed in class the following:

- What is the billing procedure?
- What are the responsibilities of billing in-charge?
- What are the key factories of retail billing?
- Effective billing solutions.
- Wholesale and telecom billing.

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to identify billing procedure in retail.		
Able to identify key features of retail billing.		
Able to identify responsibility of billing in-charge.		

Session 2: Fundamentals of Accounting

Relevant Knowledge

Accounting is an ancient art as old as money itself; however the role of accounting has been changed with the economic development. Until recently accounting was regarded as an art of recording, classifying and summarizing accounting transactions. But accounting now a days regarded as a science activity, the function of which is to provide information for decision making purposes. It includes several branches such as Financial Accounting, Cost Accounting and Management Accounting

Accounting is the art and science of recording, classifying and summarizing and analyzing of financial transaction of an organization. The need for recording the transactions arises because it is not possible to remember all the transactions taken place over a period of time. The main objective of accounting is to keep a record of financial transactions so as to ascertain the profit made or Loss incurred on account of carrying out the business during a specified period and also to know the financial position of a business as on a particular date.



Accounting deals with the collection, recording, classification, summarizing and presentation of financial data for the benefit of various users viz. Managers, owners / shareholders, creditors, bankers, customers, government, etc.

R. N. Anthony, 'Accounting is a system of collecting, summarizing, analyzing and reporting the information of the business in monetary terms'.

Smith and Ashburne define Accounting as 'Accounting is the science of recording and classifying business transaction and events, primarily of a financial character and the art of making'.

Objectives of Accounting

The following are the main objectives of accounting:

1. **To maintain the records of a business:** The main objective of accounting is to maintain the records of an organization in a systematic manner. This is known as **Book-keeping.**
2. **To ascertain Profit or Loss:** The profit earned or Loss incurred during a specific period (usually for a period of one year) can be calculated from the accounting books.
3. **To ascertain Financial Position:** By preparing financial statements like Profit and Loss account and Balance sheet the financial position can be ascertained easily. From these statements it is possible to know the profit or loss and the assets owned by the firm and liabilities of the firm.
4. **To communicate financial information:** Accounting is called the language of business. It communicates the financial information to various interested parties

Characteristics of Accounting

Accounting has the following characteristics:

Understandability: Accounting information is to be presented in such a way that it is understandable to the users.

Relevance: Accounting information helps the user in decision making. The information so provided is relevant to that particular situation.

Consistency: There should be consistency in the application of accounting policies adopted by a firm.

Comparability: The accounting information provided by a firm must be comparable to that of similar firms over a period of time.

Reliability: The accounting should provide the true and fair picture of the operations of a firm.

Objectivity: An important feature of accounting is that it is not biased. And the accounting reports are neutral.

Functions of Accounting

Accounting is useful to the management as well as to other users such as owners, creditors,



investors, government and others. It provides information regarding the status of the organization and results of its operations. The following are the functions of accounting:

1. **Recording of information:** Accounting is an art of recording financial facts of an organization. As it is not possible to remember each and every transaction of the business it is necessary to supplement human memory. The information is recorded in various books. The books to be maintained in an organization may be purchase book, sales book, purchase returns book, sales returns book, cash book etc.
2. **Classification of data:** The classification data means that the data of one nature is placed at one place. This is done in a book which is called 'Ledger' For example Salaries, Rents, interest, Assets, Liabilities etc. These accounts will be opened in the ledger under various heads relating to these accounts and entries will be posted into these accounts.
3. **Making summaries:** Another function of financial accounting is to summarize the recorded data. The classified data is used to prepare final accounts i.e. profit and loss account and balance sheet. The profit and loss account is the summary of various revenue items and expenditure items and the balance sheet is the summary of various assets and liabilities.
4. **Dealing with financial transactions:** Only those transactions which can be measured in terms of money are recorded. Anything which can not be measured in terms of money does not form a part of financial accounting.
5. **Interpreting Financial Information:** Accounting information is modified in such a way that it is interpreted by the users for drawing conclusions. The users such as creditors investors, bankers shareholders are able to form an opinion about the profitability and financial position of the business
6. **Communicating Results:** Financial accounting is not only concerned with the recording data but also concerned with communication of results. The profitability and financial position of the organization are communicated through profit and loss account and balance sheet. This information is supplied at regular intervals.
7. **Providing Reliable Information:** Another important function of financial accounting is to make the information more reliable and useful.. This is done by adopting internationally accepted accounting standards for the preparation of accounts.

Functions of an Accountant

The job of an accountant involves the following types of accounting work:

1. **Designing work:** It includes the designing of the accounting system, basis of identification and classification of financial transactions and events, forms, methods and procedures etc.
2. **Recording work:** The financial transactions are identified, classified and recorded in appropriate books of accounts. This is known as book-keeping.
3. **Summarizing work:** The recorded transactions are summarized into various statements viz. profit and loss account, balance sheet, funds flow statement and cash flow statement.



4. **Analysis and interpretation work:** The financial statements are analyzed by using the tools of analysis such as Ratios analysis, Break-even-analysis, comparative statements, common size statements etc.
5. **Reporting work:** The summarized statements along with analysis are communicated to various users' creditors, shareholders, investors, government etc.
6. **Preparation of budget:** Another important function of an accountant is to prepare various budgets like cash budget, capital budget, purchase budget, sales budget.
7. **Taxation work:** The accountant has to prepare various statements and returns pertaining to income-tax, sales tax, excise and customs duties etc., and file the returns with the concerned tax authorities.
8. **Auditing:** The accountant has to verify the books of accounts, statements and reports in order to ensure the accuracy.

Bookkeeping and Accounting

The terms book-keeping and accounting are used interchangeably, but they differ from each other.

Book-keeping involves the chronological recording of financial transactions of an organization in a set of books in a systemic manner. The main function of a book keeper is to maintain the books of original entry i.e., Journal, Ledger, etc.

Accounting is on the other hand is much wider term which includes recording, classifying and summarizing of financial transactions and also making interpretations of the results of the business and report to the users.

Double Entry Book Keeping System

It is a scientific system of recording transactions in the books of accounts. Under double entry book keeping system both the aspects of a transaction are recorded. "Double entry" means, recording of the two fold aspects of a transaction. A transaction affects two accounts in opposite direction. If one account is debited another account will be credited with the same amount. So, every debit will have corresponding credit and a vice-versa.

1. Two parties are necessary.
2. Transaction should have the effect of receiving the benefit and giving of such benefit which is measurable in terms of money.
3. Every account will have two sides debit side credit side. Benefit received is recorded on debit side and benefit given is recorded on the credit side.
4. Both the effect of transaction are recorded simultaneously.
5. Result of each account can be ascertained.

Classification of Accounts

In the double entry book keeping system the accounts are classified into the following three categories:



1. **Personal Accounts:** These accounts are relating to the names of individuals, firms, companies, bank, co-operative societies, etc.
2. **Real Accounts:** These are accounts of business assets like Plant and machinery, furniture, land and building, cash and goods, etc.
3. **Nominal Accounts (fictitious account):** These are the accounts of expenses, incomes, losses and gains.

Rules of Double Entry

1. Personal Account – Debit the receiver of benefit Credit the giver of benefit
2. Real Account – Debit what comes in Credit what goes out
3. Nominal Account – Debit the expenses and losses Credit the incomes and gains

Steps in Application of Rules:

1. Find out which are the two effects/accounts affected in the transaction.
2. Find out to which class above accounts belong to (Personal, Nominal, Real).
3. Apply the respective rules and decide which account is to be debited and which account is to be credited.

Types of Accounting

The important branches of accounting are Financial Accounting, Cost Accounting and Management Accounting.

1. **Financial Accounting:** The purpose of financial accounting is to ascertain the financial results of a firm i.e. the profit made or loss incurred in the operations during a specific period. It is also aimed to know the financial position i.e. the assets and liabilities position as on a particular date. It also provides relevant information to the management for decision making purposes. It is helpful for planning and controlling the operations of the business.
2. **Cost Accounting:** The purpose of cost accounting is to analyze the expenditure so as to ascertain the cost of various products manufactured by the firm and fix the prices. It also helps in controlling the costs by providing the necessary cost information to the management for decision making purpose.
3. **Management Accounting:** The purpose of management accounting is to assist the management in taking rational decisions. For example, pricing decisions make or buy decisions, capital expenditure decisions etc. This branch of accounting is primarily concerned with providing necessary accounting information about funds, costs, profits etc., to the management.

Systems of Accounting

The following are the three main systems of accounting:

1. **Cash System of Accounting:** In this system, accounting entries are made only when cash is



received or paid, No entry is made when a payment or receipt is merely due. Government system of accounting is maintained on this system. Generally, non-profit organizations particularly professionals prepare Receipts and Payments Account on this basis.

2. **Mercantile System of Accounting:** This is also known as accrual system of accounting. Under this system entries are made on this basis of amounts having become due for payment or receipt. This system attempts to record the financial affects of the transactions, events and circumstances of the firm in the period in which they occur. The objective of this system is to relate the revenue in terms of cost so that reported net income measures a firm's performance during a period instead of merely listing its cash receipts and payments.

3. **Fixed System:** This system is the combination of cash system and mercantile system. Under this system Income are recorded on cash basis and expenses are recorded on accrual basis. The net income is ascertained by matching expenses on accrual basis with incomes on cash basis.

Users of Accounting Information

Different categories of users need different kinds of information for various purposes. The users of accounting information can be divided into two categories viz. internal users and External users.

1. **Internal Users**
   - a) **Managers:** These are the persons who manage the business at various levels i.e., top level, middle level and lower level. Their requirements of information are different because they take different types of decisions.
   - b) **Employees:** The employees are interested to know about the financial position of the company to demand for higher salaries and other benefits.

2. **External Users**
   - a) **Investors:** Those who are interested in buying shares of a company are interested in the financial statements to know about the safety of their investments already made and how safe are the proposed investments.
   - b) **Creditors:** Lenders are interested to know whether their loan, principal amount and interest will be paid as and when due. Suppliers and creditors are also interested to know the ability of the firm to pay their dues on time.
   - c) **Government:** Governments all over the world are the financial statements for preparing Nations Income accounts. The financial statements are useful for tax authorities for calculating taxes.
   - d) **Public:** The public at large is interested in the functioning if the enterprise because it may make a substantial contribution to the local economy in many ways.
   - e) **Researchers:** The financial statements are very much useful to the researchers to undertake research in various aspects.
   - f) **NGO's:** NGO's may also be interested in various aspects like corporate social responsibility etc.



Accounting Principles

The Accounting principles are broadly classified into two categories.

1. **Accounting Concepts**
   - Business entity concept
   - Going concern concept
   - The cost concept
   - Dual aspect concept
   - Money measurement concept
   - Accounting period concept
   - Realization concept
   - Matching of costs and revenues concept
   - Historical record concept
2. **Accounting Conventions**
   - Disclosure
   - Materiality
   - Consistency
   - Conservatism

Accounting Concepts

The following concepts are usually observed at the time of recording stage.

1. **Business Entity Concept:** According to this concept the business is distinct from the persons who own it. The accounting concept differentiates between business and the owner. Business is established by law and becomes a corporate entity and the equity contributors are individuals. Accordingly, transactions related to persons and business are recorded and treated differently. If the owner takes any cash of goods from the business the drawings account is debited and cash or goods account is credited.
2. **Going Concern Concept:** This principle of accounting assumes that the business will continue for ever. With this assumption the fixed assets are recorded in the books of account at their original cost. Keeping this in view, the pre paid expenses are not treated as the expenses of the year in which they are incurred. It is assumed that the business derives benefit of it over a period of time.
3. **The Cost Concept:** Usually all the transactions will be recorded at cost of in the books. However, at the end of every year the Accountant shows the reduced value of the asset, after providing for depreciation. This approach is preferred because it is difficult and time consuming to ascertain the market values.
4. **Dual Aspect Concept:** This concept throws light on the point that each transaction as two folds affect such as receiving and giving of the benefit. The receiving aspect is termed as 'debit' and the giving aspect is termed as 'credit'. Therefore, for every debit, there will be



corresponding credit. Every transaction in a business has a double effect necessitating maintaining two accounts for each transaction. For Example, goods sold for cash reduces the quantity of goods and value but increases the cash balance.

5. **Money Measurement Concept:** While recording the business transactions we do not record them in terms of kilograms, quintals, meters liters etc. We record them in a common denomination so as to see that they become homogeneous and meaningful. Money does this function. All money or money's worth transactions form an important part of the business. All types of transactions are treated as money and recorded accordingly. It is adopted as the common measuring unit. Hence, recording is done in terms of standard currency of the country where the business is set up.

6. **Accounting Period concept:** Accounting period is the period followed by a business concern for maintaining accounts to know profit or loss. Usually, one year will be the accounting period starting from 1st April and ending 31st March (Financial Year) or 1st January to December 31st (Calendar Year). The profit or loss for such period is ascertained. While measuring the profit, incomes or expenses of that period only are to be considered.

7. **Realization Concept:** This concept is related to the realization of revenues. The revenue is realized either from the sale of goods or rendering of services. The accrual system is a method whereby revenue and expense are identified with specific periods of time like a month, half year or a year. It implies recoding of revenues and expenses of a particular accounting period, whether they are received/paid in cash or not. Under cash system of accounting, the revenues and expenses are recorded only if they are actually received/ paid in cash irrespective of the accounting period to which they belong. But under accrual method the revenues and expenses relating to that particular accounting period only are considered.

   From this concept of accounting, one chief problem arises viz., the segregation of 'capital' and 'revenue' items. Any increase in the Owner's Equity resulting from business operations is called 'revenue' items. Any increases in the Owner's Equity resulting from business operations are called 'revenue' and any decrease is called 'expense'. Therefore, excess of revenues over expenses is called 'Income' and if the expenses exceed revenues it is 'Loss'.

8. **Matching of Costs and Revenues Concept:** According to this principle, the expenses incurred in an accounting period should be matched with the revenues recognized in that period. For example, if revenue is recognized on all goods sold during a period, cost of those goods sold should also be charged to that period. In determining net income from business operations, all costs which are applicable so revenue of the period should be charged against that revenue. All other charges like losses from fire, sale of capital assets etc., even though not associated with production of that period's revenue, must be deducted from revenue before a final measurement of net income is made. In other words, all incomes earned during the period should be compared with all expenses incurred during the same period to find out he profit or loss.

9. **Historical Record Concept:** The Accountant shows only those transactions which have actually taken place and not those which may take place in future. All transactions in accounting are to be recorded in the books in chronological order. This means preparation of





a historical record for all transactions. Hence, this concept is called as the historical record concept.

Accounting Conventions

Conventions are the customs or traditions guiding the preparation of accounting statements. They are adapted to make financial statements clear and meaningful.

1. **Disclosure:** This deals with the convention that all information which is of material importance should be disclosed in the accounting statements. The companies Act, 1956 makes it compulsory to provide all the information in the prescribed form. The accounting reports should disclose full and fair information to the proprietors, creditors, investors and others. This convention is especially significant in case of big business like Joint Stock Company ownership and management is in different hands.
2. **Materiality:** Under this the trader records important facts about the commercial activities in the form of financial statements. If any unimportant informations to be given for the sake of clarity, it will be given as footnotes.
3. **Consistency:** The methods or principles followed in the preparation of various accounts should be followed in the years to come. It means that there should be consistency in the methods or principles followed. Or else the results of one year cannot be conveniently compared with that of another. For example, a company may adopt straight line method, written down value method, or any other method of providing depreciation on fixed assets. But it is expected that the company follows a particular method of depreciation consistently.
4. **Conservatism:** This convention warns the trader not to take unrealized income into account. That is why the practice of valuing stock at cost or market price, whichever is lower is in vogue. This is the policy of "playing safe". It takes into consideration all prospective losses but leaves all prospective profits. The convention of conservatism should be applied cautiously so that the results reported are not distorted. Some degree of conservatism is inevitable where objective data is not available. Following are the examples of application of conservatism:
   a) Making Provision for doubtful debts and discount on debtors.
   b) Not providing for discount on creditors.
   c) Valuing stock in trade at cost or market price whichever is less.

Advantages and Limitations of Accounting

Advantages of Accounting

The role of accounting has changed from that of a mere recording of transactions in the books of accounts to the present stage of analyzing, presentation and reporting. Now a day it is accepted as an information system which is very much useful for decision making purposes. The following are the advantages of accounting:

1. **Maintain records:** Since all the financial transactions are recorded in the books, one need not rely on memory. Any information required is readily available from these records.



2. **Preparation of financial statements:** The financial statements such as Profit and loss account and balance sheet can be easily prepared with the help of the information which is available in the records. This enables the trader to know the net result of business operations during the accounting period and the financial position of the business at the end of the accounting period.
3. **Provides control over assets:** The accounting provides information regarding cash in hand, cash at bank, stock of goods, accounts receivables from various parties and the amounts invested in various other assets. As the trader knows the values of the assets he will have control over them.
4. **Provides the required information:** Interested parties such as owners, investors, creditors etc., can get necessary information at frequent intervals.
5. **Comparative study:** It facilitates the comparison of the present performance of the organization with that of its past. This enables the managers to draw useful conclusions and make proper decisions.
6. **Less scope for fraud or theft:** It is difficult to conceal fraud or theft etc., because of the balancing of the books of accounts periodically. As the work is divided among many persons, there will be check and counter check.
7. **Tax Aspects:** Properly maintained book-keeping records will help in the settlement of all tax matters with the tax authorities.
8. **Ascertaining value of business:** The accounting records will help in ascertaining the correct value of the business. This helps in the event of sale or purchase of a business.
9. **Documentary evidence:** Accounting records can also be used as evidence in the court to substantiate the claim of the business. These records are based on documentary proof. Every entry is supported by authentic vouchers. As such, Courts accept these records as evidence.
10. **Helpful to management:** Accounting is useful to the management in various ways. It enables the management to assess the achievement of its performance. The weaknesses of the business can be identified and corrective measures can be applied to remove them with the help of accounting.

Limitations of Accounting

The following are the limitations of accounting:

1. **Does not record all events:** Only financial transactions are recorded.
2. **Does not reflect current values:** The data available under book-keeping is historical in nature. So they do not reflect current values.
3. **Estimates based on Personal judgment:** The estimates used for determining the values of various items may not be correct. For example, debtors are estimated in terms of collectability, inventories are based on marketability, and fixed assets are based on useful working life. These estimates are based on personal judgment and hence sometimes may not be correct.





4. **Inadequate information on costs and Profits:** Book-keeping only provides information about the overall profitability of the business. No information is given about the cost and profitability of different activities of products or divisions.

Exercise: Assignment

1. What are the three main systems of accounting?

_____

_____

2. List out conventions of accounting.

_____

_____

3. Visit to a near by retail store and observe how the records are maintained.
4. Visit to a shopping mall and identify the ledgers maintained.
5. Visit to an Electronics shop and list out the accounting statements prepared.

Assessment

1. Short answer questions

1. Define Accounting?
2. List out the functions of accounting.
3. State the advantages of accounting.
4. List out the limitations of accounting.
5. What is going concern concept?

2. Multiple choice questions

1. Which of the following is not an accounting concept?
   a) Going concern concept
   b) Money measurement concept
   c) Consistency concept
   d) Profit concept
2. Which of the following is an advantage of accounting
   a) Provides information
   b) Provides data
   c) Generates financial statements
   d) All of the above
3. Which of the following is not a function of accounting



a) Classification of accounts
b) Preparation of financial statements
c) Decision making
d) Analysis of financial statements

4. The important branches of accounting are:
   a) Financial Accounting
   b) Cost Accounting
   c) Management Accounting
   d) All of the above

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for Assessment Activity.

Part A

- Differentiate between different types of accounts.
- Discuss any two concept of accounting.

Part B

Discussed in class the following:

- What is accounting?
- What are the functions of accounting?
- What are the advantages of accounting?
- What are the limitations of accounting?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to adopt accounting procedures.		
Able to follow accounting Principles		

Session 3: Journal, Ledger and Subsidiary Books

Relevant Knowledge

The size of business concerns decides the number of books of accounts to be maintained by it. Mainly there are two books of account generally maintained by an organization. They are Journal and Ledger.



Journal

It is a book of daily record. The transactions will be recorded for the first time in this book. Therefore, it is called as "Book of original entry or prime entry".

Important Features of Journal

1. Transactions of every day are recorded chronologically - i.e. as per the date in this book.
2. Both the aspect of a transaction are recorded at one place.
3. Narration, which is an explanation of transaction in brief, is given at the end of each entry.
4. It facilitates cross checking of transactions.
5. Date wise entries facilitate quick reference.

Proforma of a Journal

Date	Particulars	LF	Dr. Amount	Cr. Amount

Contents of the Journal

1. Date column : Year should be written first, then month and dates can be written in chronological order
2. Particulars column : Account to be debited written first ending with abbreviation Dr. leaving some space in the second line-starting with 'To' account to be credited is written
3. Narration summary : It is a brief explanation of the transaction regarding which the entry is made. The brief explanation is written starting with 'being' or 'for' restricting only particular column. Two lines are drawn to mark the completion of entry
4. Ledger folio column : When entry is posted to respective ledger account, the page number of such account in the ledger book is recorded
5. Amount column : On both debit and credit column same amount is recorded
6. Journalizing : It is a process of recording the transactions, following the rules of debit and credit in a book called journal
7. Journal entry : When the transaction is entered in the journal it is called journal entry

Example 1

Journalize the following transactions:





2012

April	1	Shri. Vijaya commenced retail business with cash	Rs.	1,00,000
	2	Opened an account with corporation bank by depositing cash	Rs.	80,000
	3	Purchased goods for cash of	Rs.	10,000
	4	Purchased goods from Santosh	Rs.	20,000
	5	Purchased furniture for cash	Rs.	5,000
	6	Cash sales of goods	Rs.	20,000
	7	Sold to Mahesh goods of	Rs.	10,000
	8	Purchase goods from Basavaraj paid by cheque	Rs.	25,000
	9	With drew for personal use	Rs.	2,000
	11	Cash sales	Rs.	5,000
	15	Paid wages	Rs.	500
	17	Paid by cheque Santosh on account	Rs.	15000
	20	Sold goods for cash	Rs.	10,000
	23	Received cash on account from Mahesh	Rs.	5,000
	25	Purchased machinery for cash	Rs.	500
	30	Paid salary to employee	Rs.	1,500

SOLUTION

Date	Particulars	LF	Dr. Amount	Cr. Amount
2012 August 1	Cash A/c ---------- Dr. To Capital A/c (Being cash invested in business)	-	1,00,000	1,00,000
2	Bank A/c ---------- Dr. To Cash A/c (Being cash deposited in bank)	-	80,000	80,000
3	Purchases A/c ---------- Dr. To Cash A/c (Being purchased goods for cash)	-	10,000	10,000
4	Purchases A/c ---------- Dr. To Santosh A/c (Being purchased goods from Santosh on credit as per Bill No. _____)	-	20,000	20,000
5	Furniture A/c ---------- Dr. To Cash A/c	-	5,000	5,000

	(Being purchased furniture for cash as per Bill No. _____)			
6	Cash A/c ---------- Dr. To Sales A/c (Being sold goods for cash as per R. No. _____)	- -	20,000	 20,000
7	Mahesh A/c ---------- Dr. To Sales A/c (Being sold goods to Mahesh on credit as per invoice No. _____)	- -	10,000	 10,000
8	Purchases A/c ---------- Dr. To Bank A/c (Being purchased goods and paid by cheque)	- -	25,000	 25,000
9	Drawing A/c ---------- Dr. To Cash A/c (Being withdrawal cash for personal use)	- -	2,000	 2,000
11	Cash A/c ---------- Dr. To Sales Account (Being sold goods for cash as per R. No. _____)	- -	5,000	 5,000
15	Wages A/c ---------- Dr. To Cash A/c (Being paid wages to workers)	- -	500	 500
17	Santosh A/c ---------- Dr. To Bank A/c (Being paid to Santosh on account by cheque)	- -	15,000	 15,000
20	Cash A/c ---------- Dr. To Sales A/c (Being sold goods for cash as per R. No. _____)	- -	10,000	 10,000
23	Cash A/c ---------- Dr. To Mahesh A/c (Being received cash on account Mahesh)	- -	5,000	 5,000
25	Machinery A/c ---------- Dr. To Cash A/c (Being purchased stationary for cash)	- -	500	 500



30	Salary A/c ---------- Dr. To Cash A/c (being paid salary to the employee for the month of April)	- -	1,500	 1,500
			3,09,500	**3,09,500**

Ledger

Ledger is a book of accounts. Ledger is the book of main entry or final entry. It is bounded book which contains all types of accounts i.e. personal, real and nominal accounts. These accounts are opened in orderly manner and index is provided on the first page to find out which account is recorded on which page. The page number of the account is also mentioned in the ledger folio column in the journal for easy reference. When the transactions are large in number instead of one book three ledger books are maintained. They are:

- **General Ledger:** Which contains all the real and nominal accounts
- **Debtors Ledger:** Which contains the accounts of receivables
- **Creditors Ledger:** Which contains the accounts of payables

Necessity of Ledger: Journal fails to provide the information in a consolidated or summarized form about cash person, expense and asset. These short comings are overcome by posting the entries from journal to ledger.

Ledger accounts is usually in 'T' form. Left side is used for recording debit details and right side is used for recording credit details.

(Head of Account)

Dr. Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
	To ____A/c		--		By ____A/c		--

Head of Account: Here, the name of the account is written. For example, Mahesh Account, Stationary Account, Building Account, etc.

Left side: At the top left end abbreviation 'Dr' is written to indicate Debit side.

Right side: At the top right end abbreviation 'Cr' is written to indicate the Credit side while writing in the particulars column debit side it should be written as:

To _____ account

Credit side: It should be written as:

By _____ account

In the JF Column: Page number of journal book from which the entry is posted is to be mentioned.

Posting: It is a process of transfer of entry from journal to ledger. Debit amounts of the journal are posted to debit side of the account and vice-versa.

Balancing of Accounts: On a given date the total of each side will be found out, the difference in the total of both sides will be known as **balance.** The difference amount will be written on the side-where there is shortage and it will be called as balanced carried down. Now, total of both sides will tally-the balance amount indicates:

Personal Account	:	Debit balance means that person has to pay us Credit balance means we have to pay that person
Nominal Account	:	Debit balance shows expenses or losses Credit balance shows profits and gains
Real Account	:	Always shows debit balance indicating the worth of asset with the business

Such balancing of account will be usually made either weekly, monthly, quarterly or half yearly or for the year or whenever businessman likes to ascertain his/her position.

Uses of Ledger: On a given date, a business man can ascertain who are his debtors and creditors and what are the total expenses and gains on each head and also the worth of his assets & liabilities.

Hints for Preparation of Ledger

1. A separate account is opened in the ledger book for every transaction entered in journal.
2. Transaction relating to a particular account should be recorded in the account already opened no new account of the same name should be opened in the ledger.
3. Journal entries are to be posted into ledger account in the order of dates.
4. While posting on the debit side the name of account to be credited is to be written starting with 'To' and credit side name of the account to be debited is written starting with 'By'.

Example 2

Journalize the following transactions, post them in the ledger and balance the accounts on 31 August 2012.

Aug	1	Prakash started business with cash	Rs.	50,000
	2	He purchased furniture for	Rs.	5,000
	3	He bought goods from Suresh for	Rs.	8,000
	4	He sold goods to Sanjay	Rs.	5,000
	14	He received cash from Sanjay	Rs.	3,000
	18	He purchased goods for cash	Rs.	12,000
	25	He sold goods for cash	Rs.	8,000



28 He paid rent Rs. 1,200

31 He paid Suresh on account Rs. 3,000

Journal Entries

Date	Particulars	LF	Debit Rs.	Credit Rs.
2012 August 1	Cash A/c Dr. To Capital A/c (Being capital introduced)	-	50,000	50,000
2	Furniture A/c Dr. To Cash A/c (Being purchase of furniture for cash)	-	5,000	5,000
3	Purchase A/c Dr. To Suresh A/c (Being purchase of goods on credit from Suresh)	-	8,000	8,000
4	Sanjay A/c Dr. To Sales A/c (Being goods sold to Sanjay on credit)	-	5,000	5,000
14	Cash A/c Dr. To Sanjay A/c (Being received cash from Sanjay on account)	-	3,000	3,000
18	Purchases A/c Dr. To Cash A/c (Being cash purchases)	-	12,000	12,000
25	Cash A/c Dr. To Sales A/c (Being cash sales)	-	8,000	8,000
28	Rent A/c Dr. To Cash A/c (Being rent paid for the month)	-	1,200	1,200
31	Suresh A/c Dr. To Cash A/c (Being paid to Suresh on account)	-	3,000	3,000



LEDGER POSTINGS

Dr. **Cash Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012				2012			
Aug 1	To Capital A/c	-	50000	Aug 2	By Furniture A/c	-	5000
14	To Sanjay A/c	-	3000	18	By Purchase A/c	-	12000
25	To Sales A/c	-	8000	28	By Rent A/c	-	1200
				31	By Suresh A/c	-	3000
				31	By Balance c/d	-	39800
			61000				61000

Dr. **Prakash's Capital Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012				2012			
Aug 31	To Balance c/d	-	50000	Aug 1	By Cash A/c	-	50000
			50000				50000

Dr. **Furniture Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012				2012			
Aug 2	To Cash A/c	-	5000	Aug 31	By Balance c/d	-	5000
			5000				5000

Dr. **Purchase Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012				2012			
Aug 3	To Suresh A/c	-	8000			-	
31	To Cash A/c	-	12000	Aug 31	By Balance c/d	-	20000
			20000				20000



Dr. **Suresh Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012				2012			
Aug 31	To Cash A/c	-	3000	Aug 3	By Purchase A/c	-	8000
31	To Balance c/d		5000				
			8000				8000

Dr. **Sales Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012				2012			
				Aug 4	By Sanjay A/c	-	5000
Aug 31	To Balance c/d		13000	25	By Cash A/c		8000
			13000				13000

Dr. **Sanjay's Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012				2012			
Aug 4	To Sales A/c	-	5000	Aug 4	By Cash A/c	-	3000
				31	By Balance c/d		2000
			5000				5000

Dr. **Rent Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012				2012			
Aug 28	To Cash A/c	-	1200	Aug 31	By Balance c/d	-	1200
			1200				1200

Subsidiary Books

The process of Journalizing of each transaction and posting them to respective ledger accounts is convenient to small business with few transactions. It becomes tedious, unwieldy and more time consuming process in organization with numerous transactions. Hence, most practical convenient process is evolved i.e., sub-division of Journal into various subsidiary books.



Subsidiary books are also books of original entry but journalizing is avoided in this process. Similar type of transactions will be recorded in one book and they will be directly posted to the ledger. It saves time and also the labor involved in journalizing and positing.

Advantages of Subsidiary Books

1. Lot of time and labour is saved.
2. As the work can be assigned to different clerks, internal check system will be more effective.
3. It facilitates easy reference every time when information is necessary one need not go through the journal.
4. More details of transaction can be recorded in the subsidiary books which are not possible in journal.
5. Classification of transactions will be available for analysis.

Need for Subdivision of Journal

The need for maintenance of subsidiary books arises due to the drawbacks of journal. Such drawbacks are overcome by maintenance of subsidiary books. They are:

1. Periodical total of the transactions of same nature are available with out any difficulty, for example, periodical credit purchases, credit sales, bill receivables, bill payables-cash on hand total of petty expenditure, etc.
2. Journalizing of each transaction is avoided. Therefore, it saves time and labour.
3. Posting can be made directly from the subsidiary books.
4. If all the transactions are recorded in the journal the book becomes bulky and unwieldy.
5. Chances of making mistakes are less.
6. It facilitates internal check.

Types of Subsidiary Books

The following are the Subsidiary Books:

1. Purchase Book
2. Sales Book
3. Purchase Returns Book
4. Sales Return Book
5. Cash Book
6. Bills Receivable Book
7. Bills Payable Book
8. Petty Cash Book
9. Journal Proper



1. Purchase Book

Only credit purchase of goods from different parties, in chronological order, are recorded in this book. Inward invoices are filed date wise (invoice is the statement of details as to quantity supplied, quality, brand, rate, amount and trade discount allowed). When the seller sends invoice to the businessman it is called as inward invoice.

PROFORMA OF INVOICE

No. _____ Mukambika Oils Limited Ph. No. _____

Wholesale Edible Oil Dealers Gram: _____

Govindpura, Bhopal Date: _____

To

Veerbhadreswar Traders

Indore

Sl. No.	Particulars	Quantity	Rate	Amount (Rs.)
1.	200 tins of coconut oil (parachute) Less trade discount @10% Rs. Five thousand four hundred only	200 tins	300/tin	6000 600
	Total			**5400**

Per VRL service For Veerbhadreswar Traders

(Signature)

Specimen of Purchase Book

Date	Particulars	LF	Inward invoice	Quantity	Rate	Amount

1. In the date column - Date of receiving the invoice and goods is to be recorded chronologically.
2. In the particulars column - The name of the party with full address from whom goods are purchased on credit should be written.
3. In the LF column - Page number of ledger book in which posting of this entry is made is to be written.



4. Inward invoice number should be entered and they should be serially arranged and filed for any reference in the future.
5. In quantity column - Details of quantity purchased should be written.
6. The rate per unit of goods purchased should be recorded in this column.
7. In the amount column, the total amount after deducting TRADE DISCOUNT should be written.
8. The total amount at the end of particular day week or month will be posted to purchases account.

Exercise 1: Enter the following transactions in the purchase book and post them to respective ledger accounts:

2012 May 1	Bought from Precision Plastic Ltd., Mumbai 5 bundles of PVC pipes @ Rs. 850 and earned trade discount of Rs. 50 per bundle (invoice no.3)
15	Bought from Anchor Ltd., Bangalore 500 junction box @ Rs. 8.00 (invoice no. 6)
20	Bought 1500.60 watt bulbs from Mysore Lamps Ltd., Bangalore @ Rs. 9 (invoice no. 7)
29	Bought 6 bundles of wire from Jyoti Industries, Belgaum @ Rs. 4000 (invoice no. 9)

Purchases Book

Date	Particulars	LF	Invoice No.	Quantity	Rate	Amount
2012						
May 1	Precision Plastics Ltd., Mumbai	11	3	5 bundle of pipes	Rs. 850 Less discount Rs. 50	4000
15	Anchors Ltd., Bangalore	12	6	500 junction box	8.00	4000
20	Mysore Lamps Ltd., Bangalore	13	7	1500, 60 watt bulbs	9.00	13500
29	Jyoti Industries, Belgaum	14	9	6 bundle of wires	4000.00	24000
						45500

LEDGER POSTING

Dr. **Precision Plastic Ltd., Mumbai Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 May 1	By Purchase A/c		4000

Dr. **Anchors Ltd., Bangalore Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 May 15	By Purchase A/c		4000

Dr. **Mysore Lamps Ltd., Bangalore Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 May 20	By Purchase A/c		13500

Dr. **Jyoti Industries, Belgaum Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 May 29	By Purchase A/c		24000

Dr. **Purchase Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 May 31	To Sundry Creditors A/c		45500				

From the above illustration the following points can be drawn:

1. Entries in the purchase book are supplying more detail information about the address of suppliers, quantity purchased etc.
2. Entries are the substitute for making journal entry on each transaction.
3. Posting from purchase book can be directly made to the ledger.

Note: Columns in the purchase book can be increased or decreased as per the convenience of trader and the total amount of creditors is shown as 'Sundry Creditors' in the purchase account.

2. Sales Book

Only credit sales are recorded in this book for every credit sale outward invoice is prepared in duplicate and sent to the party along with goods. These outward invoices will be in the bound book.

Format of Sales Book

Date	Particulars	LF	Invoice No.	Quantity	Rate	Amount

1. In the date column - Dates are entered as per the date mentioned in the invoice.
2. In the particular column - Name and address of the buyer is mentioned.
3. LF columns will be containing page number of ledger where party's account is shown.
4. Outward invoice number will be mentioned for reference in future.
5. In the quantity column - Details of quantity, unit, brand is mentioned. In the rate column- Rate per unit of goods is recorded.
6. Amount columns contains total amount due from the buyer.

Exercise 2: Enter the following transaction in the sales book and post them to respective ledger accounts.

2012

May 1 Sold two bundles of plastic pipes, precision brand @ Rs 1000 per bundle to Trupti Contractor Ltd., Hubli

5 Sold ten junction boxes to Nayak & Co. Builders, Dharwad @ Rs. 10.00

25 Sold 1000, 60 volt bulbs to KIMs, Hubli @ Rs. 11.00

30 Sold to Akshay Builders, Hubli, 2 bundles of wires @ Rs. 4500



Sales Book

Date	Particulars	LF	Invoice No.	Quantity	Rate	Amount Rs.
2012						
May 1	Trupti Construction Ltd., Hubli	20	2	2 bundle of plastic pipes	1000	2000
5	Nayak & Co., Dharwad	21	3	10 junction boxes	10	1000
25	KIMs Hubli	22	4	1000, 60 volt bulbs	11	11000
30	Akshay Builders, Hubli	23	5	2 bundles of wires	4500	9000
						23000

Ledger Posting

Dr. **Trupti Construction Ltd., Hubli Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 May 1	To Sales A/c		2000				

Dr. **Nayak & Co., Dharwad Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 May 5	To Sales A/c		1000				

Dr. **KIMs, Hubli Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 May 25	To Sales A/c		11000				





Dr. **Akshay Builder, Hubli Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 May 30	To Sales A/c		9000				

Dr. **Sales Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
			2012 May 31		By Sundry Creditors A/c		23000

3. Purchases Returns Book

This book is to record only return of goods to the suppliers. When goods are return to the supplier to inform them that there account is debited with the value of goods returned "debit note" is prepared. So, debit note is the statement send by the purchaser to the seller intimating, the quantity and the value of goods returned and also intimate him that is account is debited with such amount. Debit note is prepared in duplicate and one copy is sent to the supplier and another is filed for reference.

Specimen of Debit Note

No. _____ Debit Note _____ Hubli

M/s. Trupti Trades, Dharwad 1 May 2012

Debited to Datta Electrical, Dharwad

To,

Returns

2 bundles of wires @ Rs.4500 9000

For Trupti Trader
(Signature)

Specimen of purchases returns book

Date	Particulars	Debit Note No.	LF	Amount Rs.

Hand on Experience: Enter the following transaction in the sales book and post them to respective ledger accounts.

2012

June 5 Returned good to Precision Ltd., Mumbai, ½ bundle worth of PVC pipes Rs.425

25 Anchore Ltd., Bangalore received from us 50 junction boxes of @ Rs. 8

30 Returned goods to Jyoti Industries ½ bundle of wire Rs. 1000

Purchase Returns Book

Date	Particulars	LF	Invoice No.	Amount Rs.
2012				
June 5	Precision Plastic Ltd., Mumbai	11	1	425
25	Anchore Ltd., Bangalore	13	2	400
30	Jyoti Industries, Belgaum	15	3	1000
				1825

Ledger Posting

Dr. **Precision Plastic Ltd., Mumbai Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 June 5	To Purchase Returns A/c		425				

Dr. **Anchore Ltd. Banglore Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 June 25	To Purchase Returns A/c		400				

Dr. **Jyoti Industries, Belgaum Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 June 30	To Purchase Returns A/c		1000				

Dr. **Purchase Returns Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012			
				June 30	By Sundry Creditors A/c (as per Purchase Returns books)		1825

4. Sales Return Book

This book is also called as Returns inward book. Entries are made in this book when goods sold by us are returned to us. The reasons may be discrepancy or difference in quality, quantity etc.

The buyer will send the goods along with debit note (as explained earlier) when the goods and debit note are received the seller has to send credit note acknowledging the same.

Credit note is statement sent by the seller to the purchaser who has returned the goods giving details of goods received by him and also intimating the buyer that his account is credited with the amount. Both credit note and debit note are serially numbered and filed for future reference.

Specimen of Credit Note

Credit Note

M/s Datta Electrical — Hubli
Dharwad — 1st June 2012

Credit Note to Precision Plastics Ltd., Mumbai

By Returns 4000

For Datta electrical
Dharwad

(Signature)
Manager

Hand on Experience: Record the following transaction in the sales return book and post them to the ledger.

2012

June 6 Trupti Construction Ltd., Hubli returned bundle of plastic pipes @ Rs. 1000 per bundle, sales return of Rs. 500

9 Nayak & Co., Dharwad returned 20 junction box @ Rs. 10

30 KIMs, Hubli returned 200 bulbs of 60 watt @ Rs. 11



Sales Returns Book

Date	Particulars	LF	Credit Note No.	Amount (Rs.)
2012				
June 6	Trupti Construction Ltd., Hubli	1	1	500
9	Nayak and Co., Dharwad	1	2	200
30	KIIMs, Hubli	1	3	2200
				2900

Ledger Posting

Dr. **Trupti Construction Ltd., Hubli Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 June 6	By Sales Return A/c		500

Dr. **Nayak & Co., Dharwad Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 June 9	By Sales Return A/c		200

Dr. **KIMs, Hubli Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 June 30	By Sales Return A/c		2200

Dr. **Sales Return Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 June 30	To Sundry Debtors (as per sales Return books)		2900				

Hand on experience: From the particulars given below, prepare sales book, purchase book, return books and post the transaction to the respective ledger account.

2012

Sept 1 Purchased from Sony Co., Mumbai 10 color TVs of 14 inches @ Rs. 4500 with Trade discount of 10%.

4 Purchased 20 Antenna from Ashwins Ltd., Dharwad @ Rs. 1500

10 Purchased from Omega Co. Ltd, Chennai 100 stabilizers @ Rs. 200

12 Sold 5 color TVs @ Rs. 5000, 5 antenna @ Rs. 2000, 5 stabilizers @ Rs. 250 to Nadeeswar Traders, Dharwad

15 Sold 5 TVs @ Rs. 5000 to Ganesh Trade Links

17 Sold to M/s Mane 25 stabilizers @ Rs. 250 and 10 antenna @ Rs. 2000

24 Ganesh Trade Links returned 1 TV

25 Returned 1 color TV to Sony Co., Mumbai as it was defective

26 Returned to Omega Co. 10 stabilizers as they were damaged in transit

27 Nandeshwar Traders returned 1 antenna & 1 stabilizer as they were defective

Purchase Book

Date	Particulars	LF	Invoice No.	Quantity	Rate	Amount Rs.
2012						
Sept 1	Sony Co., Mumbai Less trade discount 10 %	1	1	10 colour TV of 14”	4500	45000 4500 40500
4	Ashwins Ltd., Dharwad	12	4	20 antenna	1500	30000
10	Omega Co. Ltd, Chennai	3	7	100 stabilizers	200	20000
						90500



Sales Book

Date	Particulars	LF	Invoice No.	Quantity	Rate	Amount Rs.
2012						
Sept 12	Nadeswar Traders	5	9	5 colour TV 5 stabilizer 5 antenna	5000 250 2000	25000 1250 10000
15	Ganesh Trade Links	7	22	5 TVs	5000	25000
17	M/s Mane	8	23	25 stabilizers 10 antenna	250 2000	6250 20000
						87500

Purchases Returns Book

Date	Particulars	LF	Credit Note No.	Amount (Rs.)
2012				
Sept 25	Sony Co., Mumbai returned 1 TV	1	1	4500
26	Omega Co. Ltd, Chennai returned 10 stabilizers	3	10	2000
				6500

Sales Returns Book

Date	Particulars	LF	Credit Note No.	Amount (Rs.)
2012 Sept 24	Ganesh Trade Links Ltd., returns 1 TV	7	1	5000
27	Nadeswar Traders, Hubli Returned 1 antenna and 1 stabilizer	5	2	2000 250
				7250

Ledger Postings

Dr. **Sony Co., Mumbai Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 Sept 25	To Purchase Return		4500	2012 Sept 1	By Purchases A/c		40500

Dr. **Ashwins Ltd., Dharwad Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 Sept 4	By Purchases A/c		30000

Dr. **Omega Co., Chennai Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 Sept 26	To Purchase Return A/c		2000	2012 Sept 10	By Purchases A/c		20000

Dr. **Nadeswar Traders, Dharward Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 Sept 12	To Sales A/c		36250	2012 Sept 27	By Sales Returns A/c		2250

Dr. **Ganesh Trade Links, Hubli Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 Sept 15	To Sales A/c		25000	2012 Sept 24	By Sales Returns A/c		5000



Dr. **M/s. Mane, Dharwad Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 Sept 17	To Sales A/c		26250				

Dr. **Purchase Return Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 Sept 30	By Sundry Creditors A/c (as per Purchase Return Books)		6500

Dr. **Sales Return Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 Sept 30	To Sundry Debtors A/c (as per Sales Return Books)		7250				

Dr. **Purchase Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012 Sept 30	To Sundry Creditors A/c (as per purchase book)		90500				

Dr. **Sales Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012 Sept 30	To Sundry Debtors A/c (as per sales book)		87500





Distinction between Debit Note and Credit Note

1. Debit note is prepared by a person who has purchased the goods and returning the some portion or whole of goods. Credit note is prepared by a person who receives the goods returned.
2. Debit note is intimation to the seller about the return of goods. Credit note is confirmation of receiving the returned goods.
3. Debit note informs the person that his account is debited. Credit note informs the person who returns the goods that his account is credited.
4. Debit note is recorded in purchases returns book and credit note is recorded in sales return book.
5. Usually debit note and credit notes are printed in distinct colour.

5. Cash Book

In this book cash receipts and payments are recorded. This book is a book of original entry. Hence, it is a subsidiary book. Once the cash book is maintained there is no necessity of maintaining a cash account in the ledger. It serves both purposes.

Cash book may also be maintained in a columnar form. It may provide columns, for cash, bank and cash, bank cash and discount columns or bank and discount columns.

Cash received and cash paid are straight way recorded in this book. From this book posting is done to various ledger accounts.

Such cash book appears like ordinary account, with one amount column on each side. The left hand side records the receipts of cash and right hand side the payments.

Double Column Cash Book

On each side of the Cash book one more column is added to record the discount received or allowed. This book is called as double column cash book. Cash discount is an allowance, which often accompanies cash payment or receipt. Whenever cash is received it will be recorded on the debit side, along with it if any discount is allowed the same will be also recorded on the debit side in the discount column. However for practical purposes cash book contains, cash column and bank column. Hence it is also called as double column cash book.

In the similar manner, when the cash is paid, it will be recorded on the credit side and if any discount is received, it will be recorded on the same side in discount column.

Three Columns Cash Book

Now-a-days more than cash payments and cash receipts, payments will be made through bank or amount may be received by way of cheques which are to be collected through bank only. Hence, it is more convenient to have the bank column also on each side of the cash book. In the bank column on the debit side of the cash book records the amount deposited it to the bank column on the credit side of the cash book records the payment made through bank or amount withdrawn from the bank.



On balancing bank column on a given date, the amount in the bank can be ascertained and on balancing the cash column the cash available in the office can be ascertained.

Requisites

Cash Receipt: When the businessman receives the amount he issues documentary evidence to person paying the amount. It is called as cash receipt. It contains, the name of the party issuing it, date, no. and amount received in words and figures and also the signature of the payee.

Specimen of Cash Receipt

_____

_____

(Name of the firm)

No. _____

Date _____

Received from _____

_____ the sum of Rs. _____ by cheques / cash / cash in part / full payment on account of _____.

Rs. _____

Signature

The receipt format may be different but the same contents will be there. The receipt number will be usually mentioned in the cash book for reference in future.

Cash Memo

When cash sales take place cash memo is issued. Usually it will in duplicate. The original copy is retained for the office purpose. Its number will be written in the cash book.

Specimen of Cash Memo

Cash Memo

_____

_____

(Name of the firm)

No. _____ Date _____



Date	Particulars	Rate	Quantity	Amount (Rs.)

E & OE

Signature

VOUCHER

A documentary evidence issued under the signature of party receiving the amount is called as voucher. The voucher number is also recorded in the cash book.

Specimen of Voucher

_____

_____

(Name of the firm)

Voucher No. _____ Date _____

Received _____

_____ the sum

of Rs. _____ only on account of _____

Signature of the Accountant

Signature of the Receiver of the amount

Form of Cash Book

Dr. **Simple Cash Book** Cr.

Date	Particulars	Receipt No.	L.F.	Amount	Date	Particulars	Voucher No.	L.F.	Amount

In case of double column cash book another column will be added on both sides (i.e. discount column) in case of three column cash book, one more column is added on both sides i.e. Bank column.

Debit side of the cash book is receipt side. All cash received will be recorded on this side. In discount column, the discount allowed on receipt of cash will be recorded. In the bank column, whenever the amount is deposited in the bank, entry will be madein the bank column. Similarly on the credit side, all payment will be entered in discount column. When the amount is withdrawn from the bank and also cheques are issued to other parties, entry will be made in the bank column.

On the debit side, every entry in the particular column commence with 'To' and credit side every entry commence with 'By'. After completion of the entry brief explanation is to be given.

Cash book may be balanced on convenient date. Cash column always shows debit side and such balance i.e. excess of debit side over credit side and such balance is nothing but the cash available in the business. Discount column may show either of balance. If it shows debit balance it shows the expenses or loss in the form of discount allowed, credit side total is total amount of discount earned. On balancing the bank column, if it shows debit balance it is the amount with the bank and if it shows credit balance, it shows overdraft from the bank.

Positing From the Cash Book

All the accounts appearing on the debit side are credited in the ledger.

All the accounts appearing on the credit side are debited in the ledger.

Hands-on-experience: Enter the following transaction is simple cash book.

2012

Sept	1	Cash on hand Rs. 5000.
	3	Received from Tejas Rs. 500
	6	Received from Nagendra Rs. 370
	8	Paid to Mahesh on account Rs. 750
	10	Made cash purchases Rs.1500
	17	Sold goods to Sathe for cash Rs. 350
	20	Paid in to Bank Rs.1000
	22	Purchased office furniture for Rs. 300
	25	Received interest on debentures Rs. 75
	27	Paid electricity charges Rs. 25
	29	Paid rent Rs. 150
	30	Paid salaries to staff Rs. 570



Dr. **Simple Cash Book** Cr.

Date	Particulars	R. No.	L.F.	Amount	Date	Particulars	R. No.	L.F.	Amount
2012					2012				
Sept 1	To Balance b/d	-	-	5000	Sept 8	By Mahesh A/c (Paid to Mahesh)	4	26	750
3	To Tejas A/c (Cash RD from Tejas)	1	22	500	10	By Purchase A/c (cash purchases)	5	27	1500
6	To Nagendra A/c (Cash RD from Nagendra)	2	23	370	20	By Bank A/c (deposited)	6	28	1000
17	To Sales A/c (Cash RD on sales)	3	24	350	22	By Furniture A/c (purchased furniture)	7	29	300
25	To Interest on debenture	4	25	75	27	By Electricity Charge A/c (interest RD on debit)	8	30	25
					29	By Rent A/c (rent paid for the month)	9	31	150
					30	By Salaries A/c (salary for the monthly)	10	32	570
					30	By Balance c/d			2000
				6295					6295

Illustration

Enter the following transactions in a double column cashbook and also post them to respective ledger accounts.

2012

Sept 1 Opening balance Rs. 11000

4 Sold goods to Suresh of Rs. 1500 and received the amount in cash after allowing 5% cash discount

7 Purchased goods for cash Rs. 2700
9 Paid office rent Rs. 600
15 Received Rs.100 on sale of shares of Hindustan Lever Ltd.
17 Paid to Mahadev Rs. 280 and received discount of Rs. 20
20 Received from Gokhale Rs. 190 after allowing him discount of Rs. 10
25 Received commission Rs. 180
29 Received from Niranjan Rs. 195 and allowed him discounts Rs. 5
30 Paid in to bank Rs. 500

Dr. **Double Column Cash Book** Cr.

Date	Particulars	Vr. No.	L.F.	Disc-ount (Rs.)	Cash (Rs.)	Date	Particulars	Vr. No.	L.F.	Disc-ount (Rs.)	Cash (Rs.)
2012						2012					
Sept 1	To Balance B/d	-	-	-	11000	Sept 7	By Purchase A/c (Cash Purchase made	-	-	-	2700
4	To Sales A/c	-	-	75	1425	9	By Rent A/c	-	-	-	600
15	To Share A/c (Sale of Share)	-	-	-	100	17	By Mahadev A/c (Paid to Mahadev and allowed discount)	-	-	20	280
20	To Gokhale A/c (RD from Gokhale and allowed him discount)	-	-	10	190	30	By Bank A/c (Deposited in bank)	-	-	-	500
25	To Commission A/c (Received Commission)	-	-	-	180	30	By Balance C/d	-	-	-	9010
29	To Niranjan A/c (Rd from Niranjan and allowed him discount)	-	-	5	195			-	-		
					13090						13090

LEDGER POSTINGS

Dr. **Sales Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012			
				Sept 4	By Cash A/c		1425
				4	By Discount A/c		75

Dr. **Shares Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012			
				Sept 15	By Cash A/c		100

Dr. **Gokhale Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012			
				Sept 20	By Cash A/c		190
				20	By Discount A/c		10

Dr. **Commission Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012			
				Sept 25	By Cash A/c		180

Dr. **Niranjan Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
				2012			
				Sept 29	By Cash A/c		195
					By Discount A/c		5

Dr. **Office Rent Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012							
Sept 9	To Cash A/c		600				



Dr. **Mahadev Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012							
Sept 17	To Cash A/c		280				
	To Discount A/c		20				

Dr. **Bank Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012							
Sept 30	To Cash A/c		500				

Dr. **Purchase Account** Cr.

Date	Particulars	J.F.	Amount	Date	Particulars	J.F.	Amount
2012							
Sept 7	To Cash A/c		2700				

Bank Transactions: In modern times, transaction through bank has become almost necessity several advantages are accrued to the businessman by operating through the bank.

1. Money is safe.
2. No necessity of keeping heavy cash balance with him.
3. Payment can be made through cheque, which creates evidence for payment made.
4. Amount can be received through cheque and safely deposited in a bank.
5. Standing instructions can be given to bank to make regular payment like, rent, electricity bill, LIC premium etc.
6. He can avail overdraft facilitates also.
7. Bank may be used as supplier of information.

Type of Deposit Accounts

Following are the types of deposit accounts:

1. **Fixed Deposit (FD) Account:** In this account amount is deposited for a fixed period. The amount can be withdrawn only on expiry of such period. Usually rate of interest will be higher compared to other deposits, if the amount is withdrawn before the expiry of the period, depositor looses the interest. It is suitable to such a person who have excess money and it is not required for immediate use.
2. **Savings Deposit Account:** This type of account is suitable for salaried class people. Amount





can be withdrawn for limited number of times in a week. Interest rate will be less compared to fixed deposit.

3. **Current Account (CA):** This account convenient to businessman who has several transactions in a day and there is no restrictions, number of withdrawals in a day. Usually, no interest is paid on these deposits.

4. **Recurring Deposit Account (RD):** Convenient account for such a persons who have regular income and like to save some portion of it.

On opening of savings account and current account bank issues the following:

(a) Cheque Book
(b) Pass Book
(c) Pay-in-slips

(a) Cheque Book: It is an instrument in writing, containing an unconditional order to the bank to pay certain sum to certain person from his account.

- Depositor who draws the cheque is called 'Drawer'.
- The person in whose favor cheque is drawn is called 'Payee'.
- The person on whom cheque is drawn is called 'Drawee'.

(b) Pass Book: It is extract of customer's ledger account with the bank. It is provided to customer and he can ascertain the details as to deposit made, withdrawals, and balance in his account.

(c) Pay–in–slip: Loose leaves or a book is provided to the customer which can be used while depositing cash or cheque in the bank.

Exercise: Record the following transactions in the two columns cash book and balance the same (with bank transaction)

2002

October	1	Cash balance Rs. 5000
		Bank Balance Rs. 2000
	2	Received from father and paid into bank Rs. 10000
	5	Sold goods for cash deposited into bank Rs. 4000
	8	Paid Satish by cheque on account Rs. 5700 and he allowed discount Rs. 300
	10	Purchased goods and paid by cheque Rs. 3000
	12	Received cash from Bepari Rs. 6000 on account and allowed him discount Rs. 400
	15	Received cheque from Sachin and deposited into bank Rs. 2500
	17	Sachin's cheque was returned dishonored Rs. 2500
	18	Paid cash for advertisement Rs. 1000
	20	Received cash from Satish for commission Rs. 2000
	21	Purchased shares of Infosys Ltd. and paid by cheque Rs. 7000
	23	Bought TV for cash for private use Rs. 5000



25 Bank paid directly for life insurance premium of the proprietor Rs.1500
27 Bank debited our account for commission Rs. 100
28 Bank credited interest to our account Rs. 200
29 Issued cheque for rent Rs. 4500
30 Paid cash for salaries Rs. 3000

Cash Book with Discount & Cash columns/ Double Column Cash Book

Dr. Cr.

Date	Particulars	Disc-ount	Cash	Date	Particulars	Disc-ount	Cash
2012				2012			
Oct. 1	To Balance B/d	-	5000	Oct. 2	By Bank A/c (deposited into bank)	-	10000
2	To Capital A/c	-	10000	5	By Bank A/c (deposited into bank)	-	4000
5	To Sales A/c	-	4000	8	By Purchase A/c (paid Satish and he allowed discount)	300	5700
8	To Bank A/c (with drawn from bank)	-	5700	10	By Purchase A/c (amount paid by cheque)	-	3000
10	To Bank A/c (with drawn from bank)	-	3000	15	By Cheque sent for collection A/c (cheque of Sachin sent for collection)	-	2500
12	To Bepari A/c	400	6000	18	By Advertisement A/c	-	1000
15	To Sachins's A/c (Rd cheque)	-	2500	21	By Shares A/c	-	7000
20	To Commission A/c	-	2000	23	By Drawings A/c	-	5000

21	To Bank A/c (withdrawn for payment to Infosys)	-	7000	25	By Drawings A/c (bank directly paid LIC premium)	-	1500
25	To Bank A/c (with drawn from bank)	-	1500	27	By Commission A/c	-	100
27	To Bank A/c (Commission debited to our)	-	100	28	By Bank A/c (interest credited to our account)		200
28	To Interest A/c	-	200	29	By Rent A/c		4500
29	To Bank A/c	-	4500	30	By Salaries A/c		3000
30	To Bank A/c	-	3000		By Balance C/d		7000
			54500				54500

Points to be Noted

1. Every time when the cheque is received from other parties it is treated as cash received and cash account is debited and parties account is credited. When the same cheque is paid into bank for collection – bank account is debited and cash account is credited.
2. When the cheque is issued to others, it is assumed that amount is drawn from bank and cash account is debited and bank account is credited further on issue of cheque-party's account is debited and cash account is credited.
3. When bank makes payment directly from account as per our standing instruction, it is assumed that cash is withdrawn from the bank-so cash account is debited and bank account is credited –further cash account is credited and concerned account towards which amount is paid is debited.
4. When the bank credits our account on account of interest, it is assumed that the amount is received from the bank, hence, the cash account is debited – and bank account is credited and further it is assumed that the same amount is deposited into bank so bank account is debited and cash account is credited.

So, certain bank transactions are appears on both sides in the following cases:

1. Payment through cheque to others.
2. Received through cheque and deposited in a bank on the same day.
3. When other party directly deposit the amount to our bank account.
4. When cheque is dishonored (this happens only when – cheque sent for collection account is not opened).



5. When bank directly credits our account for interest, commission etc and also when it directly makes payment from out account like, insurance premium, taxes.

Illustration

From the following particulars prepare cash book with cash bank and discount columns:

2002

November 1	Cash on hand Rs. 200
2	Bank overdraft Rs. 3000
3	Issued a cheque in favour of Ramachandra for Rs. 2500 in full settlement of Rs. 2600
5	Received a cheque from Somesh for Rs. 3250 in full settlement Rs. 3300 and deposited the cheque into bank
7	Received an advice from the bank stating that the bank has paid Rs. 250 on account of fire insurance premium
9	Paid petty cash Rs. 100
11	Cash sales Rs. 3500
11	Cash purchase Rs. 900
15	Purchased machinery for Rs. 7000 the amount being paid by a cheque
19	Direct deposit by Zaveed Rs. 4800
26	A cheque recived from Preetam Rs. 2000 for full settlement of Rs. 2200 and sent to bank for collection

Cash Book with Discount, Bank & Cash Columns/ Triple Column Cash Book

Dr. Cr.

Date	Particulars	L.F.	Dis. Rs.	Bank Rs.	Cash Rs.	Date	Particulars	L.F.	Dis. Rs.	Bank Rs.	Cash Rs.
2002						2002					
Nov 1	To Balance B/d		-	-	200	Nov 2	By Balance B/d (over draft)	-	-	3000	-
5	To Somesh A/c (cheque Rd and deposited into bank)		50	3250	-	3	By Ramachara A/c (issued cheque)	-	100	2500	-
11	To Sales A/c		-	-	3500	7	By Insurance Premium A/ (Insurance premium directly paid by the bank)	-	-	250	-

19	To Zaveed A/c		-	4800		9	By Petty Cash A/c	-		-	100
26	To Preetam A/c (a cross cheque Rd and allowed him discount)		200	2000		11	By Purchases A/c	-		-	900
30	To Balance B/d		-	2700		15	By Machinery A/c	-		7000	
						30	By Balance C/d	-		-	2700
				12750	3700					12750	3700

Other books of Accounts

1. **Bills Receivable Book:** In this book the bills of exchanges accepted by the customers be recorded.
2. **Bills Payable Book:** Bills which are accepted by the businessman will be recorded in this book.
3. **Petty Cash Book:** This book is used for recording of petty payments. It will be drawn in a column form to record the payments of different nature it reduces the burden of the main cashier usually it is maintained on "Imprest system".
4. **Journal Proper:** In this book all those transactions which cannot be recorded in the books mentioned above will be recorded. Usually this books is also used to record opening entries, transfer entries, adjustment entries closing entries and also rectification entries.

Bank Reconciliation Statement

Bank column of the cash book or bank account separately maintained shows the balance with the bank on given date. Likewise, pass book or periodical statement issued by the bank reflects the customers balance with the bank on a given date. In fact both should show the same amount of balance. But, most of the times they show different balances due to some of the reasons mentioned below. On finding out thereasons for difference in the balance, a statement is prepared to reconcile it. Such statement is called "Bank Reconciliation Statement".

Reasons for Difference

1. **Cheques issued but not presented for payment:** On the date of issue of cheque to others the credit entry will be made in the cash book bank column or in bank account. This reduces the balance in the bank. But practically, the party which receives the cheques, may not present or encash the cheque on the same date. They may present it on some future date. But until the cheques is presented and encashed – the bank balance as per the bank records (i.e.



in pass book) will not be reduced. Hence, there will be a difference between two balances upto the date of encashment.

2. **Cheque received and paid into bank but not collected or cleared:** Banker, unless the cheques paid in is collected, will not credit the amount to customers account. But on the date when the cheques are paid into bank, the entry will be made in customer's books of account, stating that the amount is deposited into the bank. It increases the balance with the bank. So, there will be difference in both balances till the amount is collected and credited to customers account.
3. **Cheque received but not deposited in the bank:** Some time, customer in his book makes an entry immediately after the receipt of cheques and this increase the balance with the bank. But bank will not make any record of such cheques. Hence, there will be difference.
4. **Interest allowed by bank:** If the bank has allowed interest to customers, the entry will be normally made in the customer's account and later shown in the bank statement. Customer comes to know, such entry on receiving the statement only and entry will be made in the cash book or bank account in his book.
5. **Interest and expenses charged by the bank:** On charging interest, or expenses paid or incurred on behalf of the customer bank makes an entry in customers' accounts in its books. But, the same will be known to customer only on receipt of statement and he makes the entry in his books. Till that date, the balance will be of different amount.
6. **Interest and dividends collected by the bank:** Sometimes, investments like bonds, shares and debentures are kept in bank for safe custody. Bank itself collects the interest and dividend on such investments and makes an entry in customers account. This fact will not be known to customer until he receives a statement. The difference in the balance is created due to this.
7. **Direct payments from the bank:** On standing instructions from the customer, like insurance premium etc. The entries made in the bank statement and in the customers book will be on different date. Till that date there will be difference in balance.
8. **Direct payment by the other parties in to bank:** When the other parties directly deposits the amount in the bank to the credit of account holder, naturally account holder will come to know this on receipt of bank statement only. Until this date- there will be difference in balance.
9. **Dishonor of bills discounted with bank:** Bank provides facility of discounting (payment against bill or promissory note after deducting - the interest amount for the period) of bill of exchange or promissory notes.

   It presents them to the Drawee on the date of maturity. In that case the drawee does not pay the amount bank will debit the customer's account with such amount. This fact will be known to account holder on receipt of statement only, till this date, balance shown will be different.
10. **Dishonor of cheques paid into bank:** When other parties cheques are paid into bank, accordingly the entries are made in the bank column or bank account, as having deposited into bank but when the bank send such cheques for collection and the other party dishonors it, bank will not make entry in the customer's account for this amount. But already customer has made entry in his books. This makes a difference. Many a times, bank also makes entry for the cheques paid in and also makes entry in the pass book in good faith. But subsequently, if the





cheques are dishonored by the party bank passes reverse entry and customer will know it latter. In such cases also, there will be difference in the balance.

11. **Mistakes in cash book or pass book:** Wrong entries may be made either in the cash book by the customer or in the passbook by the bank. Both show different balances until the errors are rectified.

Reconciliation

In the absence of any of the reasons stated above, the balance shown by the bank statement or passbook and as shown by the cashbook will agree. On a given date, if there is disagreement, exact reasons should be established and both the balances should be reconciled.

The advantages of reconciliation are:

1. It brings out any error committed either in cashbook or in the bank statement.
2. Any undue delay in the clearance of the cheques will be ascertained by the reconciliation.
3. Regular reconciliation discourages staff of the customer or even that of the bank from embezzlement (e.g.-Entries are made in cash book as amount deposited without actual deposit).

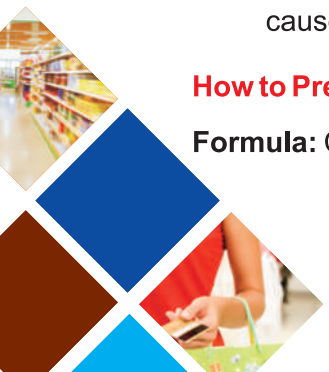
Procedure of Reconciliation: The entries appear in the cash book on debit side, will appear on the credit side of the pass book and similarly, entries appear on the credit side of the cash book will appear on the debit side of pass book. For given period on a definite date both entries in cashbook and passbook should be ticked off. The entries remaining unticked are reasons for the difference between two balances. Statement should be prepared taking one of the balances i.e. if cash balance as per the cashbook is taken, after adjustments (add or deduct as the case may be) the balance as per the cashbook will be arrived at.

Steps

1. Take the balance as per one book as starting point.
2. Find out the reasons for the difference by comparison of both books i.e. find out the un-ticked items.
3. Study the effects of particular cause of difference on balance.
4. If the un-ticked items have resulted in an increase in the balance shown by other book, the amount of such increase should be added to the balance, which is taken as starting point.
5. If the un-ticked items have resulted in decrease in the balance shown by other book, the amount of such decrease should be deducted from the balance, which is taken as starting point.
6. Finally, arrived at the balance as shown by other book.
7. If the balance arrived at agrees with balance as per other book. It shows that there are only causes and no errors.

How to Prepare a Bank Reconciliation Statement?

Formula: Compare the entries in the bank column on receipt side of the cash book with the entries



made by the bank on credit side of pass book. Similarly, compare the entries made on payment side in bank column of the cash book with the entries made by the bank on debit side of the pass book. After comparison, note the discrepancy, if any, and follow the formula given below:

(a) When the balance as per Cash Book is given

Add:
1. Cheques issued but not present for payment.
2. Interest and dividend collected by the Bank but not recorded in the Cash book.
3. Direct deposit made by a customer in Bank account.
4. Interest on deposit allowed by the Bank but not recorded in the Cash Book.

Less:
1. Cheques deposited in to the Bank but not realized.
2. Commission charged by the Bank, the entry of which does not appear in the Cash Book.
3. Bank charges debited in the pass book but not entered in the Cash book.
4. Insurance premium paid by the bank but not entered in the cash book due to lack of intimation.
5. Dishonour of cheques or dishonour of bill Receivable discounted debited in the pass book but not entered in the Cash Book.

N.B.: The above formula should be followed when over draft as per Pass Book is given.

(b) When balance as per the Pass Book is given

Add:
1. Cheques deposited in to the Bank but not collected.
2. Bank charges, commission, interest, debited in the pass book but not entered in the Cash Book.
3. Insurance premium paid by the bank and debited in the pass book but does not appear in the cash book.
4. Dishonour of cheques or dishonour of Bill Receivable discounted debited in the pass book but not entered in the Cash Book.

Less:
1. Cheques issued but not present for payment.
2. Interest and dividend collected by the Bank but not recorded in the Cash Book.
3. Direct deposit made by a customer in Bank account.
4. Interest on deposit allowed by the Bank but not recorded in the Cash Book.

N.B.: The above formula should be followed when over draft as per Cash Book is given.

Trial Balance

Trial balance is a statement of debit and credit balances of various accounts. In the double entry book keeping system there will be a credit for every debit and there will not be any credit without a debit. When this principle is followed in writing the books of accounts the total amount of all the debits will be equal to the credits. The Trial balance is prepared on a particular date with the





objective of checking the objective of arithmetic accuracy of the books of accounts. The trial balance generally does not include the closing stock.

The first step in preparation of final accounts is preparation of trial balance. After tally of the trial balance one can proceed for the preparation of the final accounts.

The following is the proforma of a Trial Balance:

Trial Balance of Shri Mittal

Sl. No.	Name of the Account	Debit Rs.	Credit Rs.
1	Cash	1,70,000	
2	Capital		1,80,000
3	Govind		20,000
4	Sales		93,000
5	Wages	20,000	
6	Harish	1,000	
7	Interest	2,000	
8	Purchases	1,00,000	
		2,93,000	2,93,000

Advantages of Trial Balance

The following are the advantages of preparing a Trial Balance:

1. Trial balance helps in checking the arithmetical accuracy of books of accounts.
2. Trial balance helps in preparing the final accounts.
3. It helps in detecting errors.
4. The Trial balance serves as an instrument to carry out the job of rectification of errors.
5. Trial balance facilitates to find out the balances of various accounts at one place.

Exercise: Assignment

1. What are the important features of journal?



2. Which are the different types of ledger books required to be maintained? When there are many transactions?

3. What is purchase book?

4. What is the need of bank reconciliation statement?

5. Visit a retail store and find out which ledgers accounts are maintained by them.

Assessment

A. True or false

1. Journal is called as the book of prime entry.
2. Posting is a process of transfer of entry from ledger to journal.
3. Receipt of cash and payment of cash will be recorded in purchase book.
4. Trial balance is a statement of debit and credit balances of various accounts.
5. Bank reconciliation statement is to be prepared as there is a difference in balance of bank column of cash book and bank pass book.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- What are the Important Features of Journal?
- Which are the three different classifications of accounts?
- What is petty cash book?
- What is trial balance?





Part B

Discussed in class the following:

- What are the advantages of subsidiary books?
- What are the types of deposit accounts?
- What are the advantages of bank reconciliation statement?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to understand the difference between journal and ledger.		
Able to identify the need of preparing a bank reconciliation statement.		

Session 4: Trading, Profit & Loss Account and Balance Sheet

Relevant Knowledge

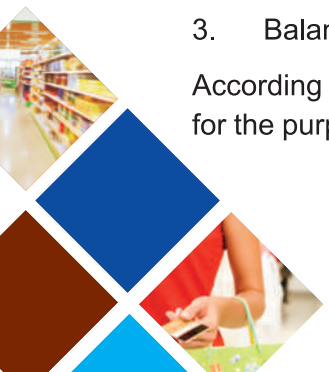
As per accounting cycle the transactions are first recorded in journal, from where they are posted to the relevant accounts in ledger, at the end of accounting period these accounts are balanced and a trial balance is prepared for finding out the arithmetical accuracy of books of accounts.

After preparing the trial balance final accounts are prepared to achieve the objectives of accountancy. A business man is interested to know the final results of the business - whether he has earned profit or suffered loss in that particular accounting period. Two main objectives of maintaining accounts are to find out the profit or loss made by the business at the end of regular periodic intervals and to ascertain the financial position of the business on a given date.

For achieving these objectives, the businessman prepares certain financial statements at the end of each accounting period. In order to know profit or loss earned by a firm, income statement or trading and Profit and loss account is prepared. Balance sheet or position statement will portray the financial condition of a firm on a particular date. These two statements i.e. trading and profit and loss account and balance sheet are prepared to give the final results of the business, that is why both these are collectively called as final accounts. Thus, final accounts include the preparation of:

1. Trading Account
2. Profit & Loss Account; and
3. Balance Sheet

According to American Institute of certified public accountants "Financial statements are prepared for the purpose of presenting a periodic review or report on the progress by the management and



deal with the (i) status of the investments in the business and; (ii) results achieved during the period under review".

Thus final accounts are the means of conveying to the management, owners and interested outsiders. A concise picture of profitability and financial position of the business. It is the end product of accounting process which gives consolidated accounting information of the accounting period, after the accounting period is over. These accounts summarize all the accounting information recorded in the subsidiary books and the ledger running into hundreds or thousands of pages. The basis of preparation of final accounts is the trial balance containing debit and credit balances. These balances represent the following:

Debit Balances: Assets and deferred revenue expenses to appear on the asset side of balance sheet and nominal accounts relating to expenses and losses to appear on the debit side of trading or profit and loss account.

Credit Balances: They represent capital, liabilities, and reserves to appear on the liabilities side of balance sheet. The Nominal accounts relating to revenue and gains which are credited to the Trading and Profit and loss account as the case may be.

For proper treatment of various items of trial balance while preparing the final accounts following rules should be followed:

1. *If the amount of debit balance account is recoverable to the business, it is an asset but if the amount cannot be recovered in any way in that case it represents either expenditure or loss.* Building, furniture, machinery have debit balances and money can be received by realizing them Salary, rent, wages etc. also have debit balance but these cannot be realized in cash because money has already been paid to third parties against them. Thus building, machinery, furniture etc. are recorded on the asset side of balance sheet and salary, rent and wages, etc. appear on the debit side of trading or profit & loss account.
2. Similarly, if *the amount is payable to outsiders against a credit balance account, it is a liability* and shown in the balance sheet. If the amount is not payable to anyone against a credit balance account in that case it is an income of business and is to be recorded in trading and profit and loss account. Bank overdraft, creditors and loans etc. all have credit balances and business is to pay them out. Discount, dividend, rent, etc. if they have credit balances are not payable by business to outsiders because the amount received is not to be paid back. Thus overdraft etc. is a liability and discount and rent etc., are incomes.

Procedure of Preparing Final Accounts

Before discussing the preparation of Trading and profit and loss account it is necessary to know the concept of income and how it is calculated.

The income concept is used even in those organizations which are run on no profit objectives. Thus to ascertain income, same type of accounting is essential in all types of businesses.

Cost of Goods Sold or Merchandising Cost: To earn profits from a business, some money must





be spent on purchasing the goods (in case of trading concern) and expenses like freight, cartage etc. will be incurred to bring the goods to the shop. The cost of purchasing the goods plus expenses directly related to the purchase of goods is technically called cost of goods sold. Cost of goods sold is deducted from sales to get the 'Trading Profit' (Gross profit).

Expenses of Doing Business: Gross profit does not give the correct picture of the working results of a concern. There are many indirect expenses like salaries, rent, commission, advertising, interest etc. which must be deducted from the gross profit in order to calculate the net profit. Such expenses of doing the business is called operating expenses. These expenses are incurred to run the business and to maintain its operational efficiency.

Different terms used with reference to final accounts can be defined as under:

1. **Cost of goods sold:** It is the cost of acquiring the goods for sale i.e. purchase price plus expenses incurred in bringing the goods to shop with due adjustment of opening and dosing stocks.
2. **Operating expenses:** Those expenses *which are incurred to run the business day to day* and to maintain its operational efficiency.
3. **Gross Profit:** It is the *excess of sales over cost of goods sold*.
4. **Gross Loss:** It is the *excess of cost of goods sold over sales.*
5. **Net Profit:** It is the *excess of gross profit over operating expenses.* If there is any other income to the business, that must be added in gross profit before deducting the operating expenses. It is also known as business income.
6. **Net Loss:** It the *excess of operating expenses over gross profit and other incomes.*

Trading Account and Profit & Loss Account

It is the summary of those accounts which effect the profit or loss of a business concern. There are various accounts of revenue and expenses in the trial balance. All these accounts either increase the profit or increase the losses or vice versa. In order to know the overall situation of the effect of these accounts, they are grouped at one place. The revenue items are put on the credit side, whereas the items of expenses and losses are put on the debit side. Balance is either profit or loss.

The net profit of the company is determined in two stages. In the first stage the profit or loss from Core activity of the business i.e. buying, manufacturing and selling, is determined. This is termed as gross profit/loss. The word gross is used because the other incomes and expenses, not directly related to the production process have to be added and subtracted from this respectively to arrive at the eventual (net) profit.

The determination of the gross profit/loss is very important because it is essential for the trader to know in the first place, whether his core activity is efficient in earning or not. If not then no matter how efficient the other activities are the final result will not be good. Besides this the ratio of the gross profit to sales is a very important guide of the profitability of a company as-well-as of the stability of production expenses.



The equation for determining the gross profit is = Net sales - (cost of goods sold + Direct production expenses)

where Net sales = Total sales (i.e., Cash sales + Credit sales) less sales Returns

Cost of goods sold = Opening stock + Net purchases - Closing stock

where Net purchases = Total purchases (i.e. Cash + Credit) Less Purchase returns

where Direct production expenses = Conversion cost, i.e. cost of procuring the raw material and converting them into finished goods.

Trading Account

Debit Side of a Trading Account

The items those usually appear on the debit side of a trading account are shown in the above specimen form of trading account. These items can be explained as follows:

Opening Stock: This represents the stock of goods in hand at the beginning of the year. This figure is available from the trial balance. In the case of trading concern, the opening stock will be of finished goods only. But in the case of a manufacturing concern, the opening stock will be in three forms viz., (1) stock of raw materials (2) work-in-progress (3) stock of finished goods. If the business is started newly, there will be no opening stock of goods.

Purchases: The purchase account represents the total purchases made during the year. This figure includes credit as will as cash purchases.

Returns Outward: (purchase returns) Sometimes goods are returned to the suppliers owing to some defect in goods or some other reasons. Such returns outwards should be deducted from the amount of total purchases, and only the amount of net purchases is shown in trading account.

Direct Expenses: Direct expenses are the expenses which are either incurred on purchasing of goods or for making goods saleable. Such expenses are to be transferred to the debit side of trading account. Direct expenses also include productive expenses such as manufacturing wages, factory lighting, factory rent and rates. They may be described as follows:

Freight: Freight paid on goods purchased is chargeable to trading account. It is also called as freight inward. However, if any freight is paid on the purchase of fixed assets like machinery, it should not be charged to trading account. It should be added to the cost of that particular asset.

Carriage Inward: The expenses are to be incurred for carrying the goods purchased to the warehouse. This expenditure is also treated as expenses incurred on purchasing of goods, and hence debited to trading account.

Carriage Outward: However, carriage outward which is the expenditure incurred on sale of goods is transferred to the profit and loss a/c and not to the trading a/c.

Wages: Wages paid to workers in the factory should be debited to the trading account. Similarly, salaries paid to persons working in the factory will also be debited to the trading account. There is a





slight difference between wages and salaries. Wages are usually paid daily whereas salaries are paid monthly.

Octroi and Customs Duty: When goods are brought within municipal limits, octroi duty is to be paid on it. In the case of goods imported form abroad, customs duty, dock charges have to be paid. Since these expenses relate to the purchase of goods, they are shown in the trading account.

Fuel, Power & Lighting: Machines are run either with the help of fuel (coal) or power. These expenses should be debited to the trading account as they are productive expenses. 'Electricity consumed for providing lights in the factory should also be debited to the trading account. If there is a common meter for the office and the factory, the total bill should be suitably apportioned between the two. Portion relating to factory will be debited to the trading account.

Factory Rent and Rates: The rent and the municipal taxes paid for the factory premises are to be charged to the debit side of trading account. Municipal taxes are also called as rates. If the office and the factory are in the same premises, the total rent and rates are divided proportionately and only factory sent is debited to trading account.

Credit Side of a Trading Account

Generally there are only two items appearing on the credit side of a trading account viz., (1) sales and (2) closing stock of goods.

Sales: Sales account indicates the total sales (cash and credit) during the year. Some customers might have returned the goods sold to them. They are called as returns inwards. Return inwards are deducted form the amount of total sales. Only net sales for the year are shown on the credit side of trading account. If the goods have been sold but not yet dispatched, they should not be shown under sales but should be included in closing stock. Similarly if fixed asset is sold, it will not be treated as sales

Returns Inward (Sales Returns): The debit balance of returns inward account representing goods returned by customers, is deducted form the sales on the credit side of trading account.

Closing Stock: Closing stock of goods means the value of goods which remain unsold at the end of the financial year. It is to be valued by making a list of all goods in stock which is known as 'stocktaking'. The principle applied for the valuation of stock is "cost or market price whichever is lower". Fixed assets or items like postage stamps or stationery are not to be included in the closing stock.

Balancing of Trading Account: After transferring all the above items to trading account, it is to be closed. If the total, of the credit side of trading account is more than the debit side total, it represents gross profit. In the reverse case, there is a gross loss. Gross profit or gross loss does not represent the true result of the business. It is only a result of purchasing and selling of the goods. The balance of trading account is to be transferred to the next account i.e., profit and loss account.

Gross profit will be transferred to the credit side of profit and loss a/c and gross loss, if any, will be transferred to debit side of profit and loss account.



PROFORMA

Trading Account for the year ending 31st March, 2010

Dr. Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock		By Sales	
To Purchases		By Less Returns	
Less Returns _____		Inwards_____	
Outwards _____			
		By Closing Stock	
To Direct Expenses			
To Freight			
To Carriage Inwards			
To Wages			
To Octroi Duty			
To Custom Duty			
		By Gross Loss transferred	
		to Profit and Loss A/c	
To Fuel, Power, Lighting			
Factory Rent, Rates			
To Gross Profit transferred			

Exercise:

From the following balances, prepare the trading account of Mansuklal for the year ending 31st December 2012.

Opening stock 1-1-2012	7000	Carriage	1280
Purchases	22000	Wages	3595
Purchase Returns	500	Motive Power	1375
Sales	32700	Salaries	2100
Sales Returns	650	Stock 31-12-2012	14479

Solution

Trading Account for the year ending 31st December 2012

Dr. Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Opening Stock	7000	By Sales 32,700	
To Purchases 22,000		Less Sales Returns 650	32,050
Less Purchases Return 500	21,500	By Closing Stock	14,479
To Carriage	1,280		
To Wages	3,595		
To Motive Power	1,375		
To Gross Profit	11,779		
	46,529		46,529

Profit & Loss Account

Profit and account is opened with gross profit (or gross loss) which is transferred from the trading account. It is prepared to ascertain net profit earned or net loss sustained by the trader during the trading year. All expenses and losses (those which are not transferred to the trading account) are transferred to the debit side of profit and loss a/c and all gains and incomes earned during the year are transferred to the credit side of profit and loss a/c the specimen form a profit and loss a/c is given below:

Profit & Loss Account for the year ended 2010

Dr. Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Gross Loss transferred from Trading A/c	_____	By Gross Profit transferred from Trading A/c	_____
Indirect Expenses		Gains and Incomes	
To Office Salaries	_____	By Commission	_____
To Office Rent and Rates	_____	By Discount	_____
To Printing and Stationery	_____	By Interest Received	_____
To Postage and Telegrams	_____	By Rent Received	_____
To Telephone Charges	_____	By Miscellaneous Income	_____



To Audit Fees	_____		
To Insurance	_____		
To Entertainment Expenses	_____		
To Repair	_____		
To Interest on Loan	_____		
To Sundry trade expenses	_____		
To Conveyance	_____		
To General Expenses	_____		
To Office Lighting	_____		
To Loss by Fire/ Loss by Theft	_____		
To Commission Allowed	_____		
To Advertisement	_____		
To Carriage Outward	_____		
To Export Duty	_____		
To Discount Allowed	_____		
To Travelling Expenses	_____		
To Bad Debts	_____		
To Depreciation on Assets	_____		
To Net Profit transferred to Capital A/c	_____	Net loss transferred to Capital A/c	
	_____		_____

Profit & Loss Account of _____ for the year ended 2010

Dr. Cr.

To Opening Stock	By Sales
To Purchases	By Closing Stock
To Manufacturing Expenses	By Gross Loss
To Gross Profit	

To Gross Loss B/d	By Gross Profit B/d
To Office and Administrative Expenses	By Incomes Received
To Rent	By Interest Received
To Printing and Stationery	By Commission Received
To Legal Expenses	By Dividends
To Insurance Expenses	By Discounts Received
To Net Profit (transferred to Capital A/c)	

Example 1: The following particulars are available from the books of Agarwal on 31st December, 2011

Stock (1-1-2011)	20000
Purchases made during the year	180000
Stock (31-12-2011)	60000
Sales	190000
Carriage inwards	5000
Wages	25000
Purchase Returns	20000
Sales Returns	10000

Prepare the Trading Account for the year 2011

Solution

Agarwal's Trading Account for the year ending 31st December 2011

Dr. Cr.

Particulars		Amount (Rs.)	Particulars		Amount (Rs.)
To Opening stock		20000	By Sales	190000	
			Less: Sales Return	10000	180000
To Purchases	180000				
Less: Purchase Returns	20000	160000	By Closing Stock		60000
To Carriage inwards		5000			
To Wages		25000			
To Gross Profit B/d		30000			
		240000			240000

Example 2: From the following Trial Balance of Shri Gupta, prepare the Trading and Profit & Loss Account for the year ending 31st March 2012.

Trial Balance as on 31st March 2012

Particulars	Debit (Rs.)	Credit (Rs.)
Gupta's Capital		290000
Gupta's Drawings	7600	
Purchases	89000	
Sales		150000
Purchase Returns		4500
Sales Returns	2800	
Stack (1-4-2011)	12000	
Wages	8000	
Salaries	8000	
Building	220000	
Freight and Carriage	20000	
Trade Expenses	2000	
Advertisement	2400	
Interest		3500
Insurance	1300	
Debtors	65000	
Creditors		12000
Bills Receivable	15000	
Bills Payable		7000
Cash at Bank	1900	
Cash in Hand	8000	
	467000	467000

Adjustments: Stock as on 31st March, 2012 was valued at 13000

Solution: Trading and Profit & Loss Account of Mr. Gupta for the year ending 31st March, 2012





Trading Account for the year ending 31st March, 2012

Dr. Cr.

Particulars		Amount (Rs.)	Particulars		Amount (Rs.)
To Stock (1-4-2011)		12000	By Sales	150000	
			Less: Sales Return	2800	147200
To Purchases	89000		By Closing Stock		13000
Less: Purchase Returns	4500	84500			
To Wages		8000			
To Fright and carriage charges		20000			
To Gross Profit (transferred to Profit and Loss Account)		35700			
		160200			160200

Profit & Loss Account for the year ending 31st March, 2012

Dr. Cr.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
To Salaries	8000	By Gross Profit (from Trading Account)	35700
To Trade Expenses	2000	By Interest received	3500
To advertisements	2400		
To Insurance	1300		
To Net Profit (transferred to Capital Account of Balance Sheet)	15500		
	39200		39200

Important items of the Profit & Loss Account. The following are the items of expenditures that are shown on the Debit side of the Profit and Loss Account. Salaries, Rent Rates and Taxes, Interest Paid, Depreciation, Trade Expenses, Discounts allowed, Advertisement, Commission paid, Income tax, losses incurred.



The following are the Income items that are shown on the credit side of the profit and loss account; Rents received, interest received, Commission received, other incomes, gains made.

Balance Sheet

A balance sheet is statement of Assets and Liabilities of a firm which is prepared as on a particular date to show the financial position of the firm. The financial position of a firm is indicated by the assets and liabilities. A balance sheet shows the summary of assets and liabilities on a certain data, generally the last date of the accounting year. It is a statement of assets and Liabilities but not an account. The left hand side is called Liabilities side and the right hand side is called assets side. The liabilities side shows all the liabilities and capital of the firm and the right hand side shows the assets of the firm.

The following is the Proforma of a Balance Sheet

Balance Sheet of _____ as on 2010-11

Liabilities	Assets
Capital	Fixed Assets
	Land and Buildings
Reserves and Surpluses	Plant and Machinery
	Furniture and Fittings
Long-term Liabilities	Vehicles
Debentures	Goodwill
Long-term Loans	Patents
Current Liabilities	**Current Assets**
Creditors	Cash in hand
Bills Payable	Cash at bank
Bank Overdraft	Short term investments
Short-term Loans	Debtors
Outstanding Expenses	Bills receivables
Long-term Liabilities	Stock
Debentures	Prepaid expenses

Important items in the Balance Sheet

Items which are shown in the balance sheet are explained below:

1. **Fixed Assets:** fixed assets are those assets which are used for a longer period. These assets are not acquired for resale viz. land and buildings, plant and machinery, furniture, vehicles, etc.





2. **Current Assets:** Current assets are those assets which can be converted in to cash with in one year. These assets are for realization and are used to meet current liabilities. The examples of such assets are cash, cash at bank, bills receivable, stock, debtors, short-term investments, etc.

3. **Long-term Liabilities:** These are the liabilities which are not payable in the next account year but over a period of five to ten years. Debentures and long-term loans are the examples of long-term liabilities.

4. **Current Liabilities:** Current Liabilities are those liabilities which are payable with in one year. These liabilities are usually paid from the current assets. The examples of current liabilities are Creditors, Bills payable, bank overdraft, short term loans, outstanding expenses, long-term liabilities, etc.

5. **Intangible Assets:** These assets do not exist and cannot be sending and touched but have value. Good will, patents, trademarks, licenses are the examples of intangible assets.

6. **Capital:** Capital is the excess of assets over the Liabilities due to outsiders. It represents the amount of capital originally contributed by the owners as increased by the profits and interest on capital and decreased by losses drawings and interest on drawings.

Example: The following information is extracted from the Books of Rajesh for the year ending 31st March 2012. Prepare a Balance Sheet from this information:

Particulars	Rs.	Particulars	Rs.
Cash at Bank	7000	Bills Payable	8500
Cash in Hand	4000	Closing Stock	8000
Sundry Debtors	12000	Furniture	4000
Bills Receivable	7500	Drawings	2000
Sundry Creditors	16000	Capital	20000
Plant and Machinery	12000	Net Profit	12000

Solution

Balance Sheet of Rajesh as on 31st March, 2012

Liabilities	Rs.		Assets	Rs.
Capital	20000		Plant & Machinery	12000
Add: Net Profit	12000		Furniture	4000
	32000		Sundry Debtors	12000

Less: Drawings	2000	30000	Bills Receivables	7500
Sundry Creditors		16000	Closing Stock	8000
Bills Payable		8500	Cash at Bank	7000
			Cash in Hand	4000
		54500		54500

Exercises

1. Explain the objectives of Accounting?
2. What are the functions of an Accountant?
3. Discuss about the concepts of Accounting.
4. What is Trial Balance? State its advantages.
5. From the following information you are required to prepare the Trading and Profit & Loss Accounting for the year ending 31st March, 2012.

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Capital	5500	Rent Paid	1500
Buildings	35000	Drawings	2500
Machinery	10000	Electricity Charges	200
Debtors	9000	Carriage Inward	900
Stock on 1-4-2011	14500	Cash at Bank	8000
Purchases	50000	Returns Inward	600
Wages	3000	Returns Outward	800
General Expenses	1500	Salaries	1200
Bills Receivable	8800	Discount Allowed	1300
		Bills Payable	6000
		Sales	75000
		Cash in Hand	2800
		Creditors	14000

6. From the particulars of M/s. Vishnu Traders prepare final accounts for the year ending 31st March 2012.





Debit Balances	Rs.	Credit Balances	Rs.
Drawings	2000	Capital	30500
General Expenses	2500	Creditors	7600
Building	8000	Sales	63360
Machinery	9340	Commission	1320
Stock 1-4-2011	16200	Bills Payable	3850
Power	2240	Bank Overdraft	4200
Insurance	1315	Discount	1760
Wages	7200		
Debtors	6280		
Bad Debts	550		
Loan	7880		
Purchases	47000		
Motor Car	2000		
Car Expenses	180		
Cash	18		
Discounts	105		

Exercise: Assignment

1. What is Trading and Profit and Loss Account?

2. Explain the difference between carriage inward and carriage outward.

3. List out important items in a Balance sheet.



4. Visit a retail outlet collect and identify the profit earned by it.

Assessment

A. Multiple choice questions

1. The correct picture of the working results of a concern is given by-
   a) Net profit
   b) Gross profit
   c) Operating expenses
   d) None of the above
2. Carriage outward which is the expenditure incurred on sale of goods is recorded in-
   a) Trading account
   b) Profit and loss account
   c) Balance Sheet
   d) None of the above
3. Audit fees paid by the organization is-
   a) Expense
   b) Asset
   c) Liability
   d) None of the above
4. Land and Building owned by the organization is-
   a) Liability
   b) Income
   c) Asset
   d) None of the above
5. Capital is the excess of due to outsiders-
   a) Assets over the Liabilities
   b) Income over Expenses
   c) Liabilities over Assets
   d) None of the above



B. True or false

1. The purchase account represents the total purchases made during the year.
2. Opening stock represents the stock of goods in hand at the beginning of the year.
3. A profit and loss account is statement of Assets and Liabilities of a firm.
4. Balance sheet shows expenses incurred and income earned by the organization.

Checklist for Assessment Activity

Use the following checklist to see if you have met all the requirements for assessment activity.

Part A

- What is cost of goods sold?
- List out any two items shown on the credit side of trading account
- What is an intangible asset?
- List out any three items of current liabilities?

Part B

Discussed in class the following:

- What is the meaning of balance sheet?
- List out any two items that appear on the debit side of Profit & Loss Account.

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to understand the utility of preparing financial statements.		



UNIT-6 INVENTORY HANDLING

Introduction

Inventory means a list of goods and materials available in stock by a business;

The scope of inventory handling concerns physical inventory, receiving the inventory, identifying the available physical space for the inventory, replenishments, identifying the returns and defective goods.

Inventory handling involves systems and processes that identify inventory requirements, set targets, provide replenishment techniques, report actual and projected inventory status and handle all functions related to the tracking and management of material.

This would include the monitoring of material moved into and out of stockroom and the reconciling of the inventory balances.



Understanding the Basics of Inventory Handling

Relevant knowledge

Why do we keep stock or inventory?

There are three basic reasons for keeping an inventory:

1. **Time -** The time lags present in the supply chain, from supplier to user at every stage, requires that you maintain certain amounts of inventory to use in this lead time. However, in practice, inventory is to be maintained for consumption during 'variations in lead time'. Lead time itself can be addressed by ordering that many days in advance.
2. **Uncertainty -** Inventories are maintained as buffers to meet uncertainties in demand, supply and movements of goods.
3. **Cost effectiveness -** Ideal condition of "one unit at a time at a place where a user needs it, when he needs it" principle tends to incur lots of costs in terms of logistics. So bulk buying, movement and storing brings in cost effectiveness, thus inventory is needed.

Inventory control Methods

Top retail organizations use established methods to track and control the stock and items available in the organization's inventory at any time. Some inventory control methods work best for products



with expiration dates and frequent inventory traffic, while others work better for smaller inventories with less daily traffic. The management method used by a given organization depends on the resources available and the need of the customers.

Point-of-Sale Method

Top retailers may use the point-of-sale (POS) method to control inventory items if the retail store has frequent sales or daily traffic in the inventory. The POS method involves updating the inventory each time an item is removed from the inventory with the purpose of making a sale. According to Business Dictionary, the inventory figure is updated as soon as the organization transfers ownership of a product to the buyer. This method is often used for items sold with an expiration dates to avoid wasting stocked items.

Perpetual Method

Top retailers may also use the perpetual method to track daily traffic in the inventory. This method involves creating inventory records at the end of each business day to ensure that the amount of product sales match the available items in the inventory. This is done to ensure that all waste products are noted as well as track employee theft and unreported instances of product removal.

Periodic Method

The periodic inventory method is less aggressive, as it does not require daily monitoring of inventory traffic and figures. Top retailers may use this method to calculate how much they have earned by comparing sales to inventory records at the end of a fiscal period. The sales figures show how much the company has earned and the inventory records show the existing value of inventory items, the value of removed inventory and the amount of product waste.

Food Inventory Control

You can control your food inventory by installing a system of checks and monitoring procedures. Follow your inventory from the first moment the food arrives at your door until it finally meets its tasty end. Also, involve other members of your staff to be extra eyes and hands to keep your stock safe and organized. When you are comfortable with your inner working of your food inventory, you will be able to save time and money on your next order.

All foods have optimal storage conditions that must be met to sustain usability. Carefully research every item in your food inventory to be sure that you are providing a safe temperature and humidity range for long-term storage. Design efficient storage zones of related products with similar needs. Doing this will reduce waste due to early expiration and contamination. Organize your food cold and dry storage areas so all items are visible and turned so labels easily read. Make restocking heavy items easier by storing them lower if possible.

Keep your food inventory on a steady rotation to reduce spoilage and waste. Make your staff aware when food items are in danger of going bad and create menu specials to reduce perishable stock quantities. Clearly label all perishable items that are made in house with dates that correspond to their creation and estimated expiration. Instruct your staff to always grab the foods items from





storage that are closest to expiration. Also ask that any food items that are beyond expiration be evaluated and thrown out if they have spoiled.

Special terms used in dealing with inventory

1. **Stock Keeping Unit (SKU)**

   It is a unique identifier for each distinct product and service that can be purchased. For example If a particular product has a MRP (Maximum Retail Price) of 10 Rs and there is a revision in price, say the price now becomes 15 Rs, then 10 Rs and 15 Rs will have to be stocked separately and billed separately so they become two different SKUs.

   SKUs can then be printed into a barcode and placed on the product. When scanning SKUs, the system recognizes the price and prepares the sale for that price.

2. **Stockout** means running out of the inventory of an SKU
3. **"New old stock"** (sometimes abbreviated NOS) is a term used in business to refer to merchandise being offered for sale that was manufactured long ago but that has never been used. Such merchandise may not be produced anymore, and the new old stock may represent the only market source of a particular item at the present time.
4. **LIFO and FIFO** are acronyms that usually stand for, respectively, "last in, first out," and "first in, first out." Both terms are used in a wide variety of situations to determine the order in which something will be handled.

   A company that operates on the FIFO principle has a policy of displaying and selling old stock before selling newly acquired stock. Such policies make sense when a business sells fresh food or items that may go out of fashion. Grocery stores, for example, often own refrigerated cases that make it easy to stock items from the back, pushing older products forward where shoppers are more likely to see and buy them. By rotating stock in this way, it's more likely that there will be less inventory waste; food is more likely to be purchased before it goes bad.

Assessment

Exercise

What is a SKU? Explain with examples

_____

_____

_____

What is Stockout?

_____

_____

Activity

Identify and make a list of products that are kept as inventory in your home or in your school. Also mention the place whose inventory you are making.



Sample list

School Store

List of the products in inventory

1. Registers
2. Pen
3. Pencils
4. Erasers
5. Carbon papers

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity.

Part A

- Explain how time is saved by keeping inventory?
- What is inventory handling and what is included in it?

Part B

Discussed the following in class:

- Define new old Stock (NOS)
- Explain why keeping Stock or inventory is important?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to understand basics Inventory handling		
Able to understand and explain different terms used in inventory handling		

Understanding the Process of Inventory Handling - I

Relevant knowledge

Most important element to a successful and accurate physical inventory is proper planning and preparation. Written procedures that are understood by all involved is a good first step that will help to assure a well controlled and disciplined count and allow you to focus on an accurate count which will be more efficient and take less time.

More time you spend on the preparation of a count, the less time it will take to perform the count and the more likely you will have an accurate count and minimize re-counts.



Step 1- Preparing for a Physical Inventory

(a) Schedule the Count Date(s)

Set the count date well in advance so everyone has time to prepare for it and schedule around it. Avoid busy seasonal times and times when team may not be available or will be preoccupied and less likely to be focused on the task at hand.

(b) Human Resource Considerations

While the availability and experience of staff is important, checks and balances and personal accountability is equally important. If internal theft is a problem, retailer can't depend on a completely accurate count.

Where ever possible, retailer should rotate his staff to areas for which they don't have direct responsibility.

Step II- Selecting Counting Method(s)

There are various methods for counting. The best method depends in part on how merchandise is managed and how your stores or stock locations are laid out.

(a) Computer Generated Count Sheets - Computer Generated Count Sheets are preprinted lists of inventory generated by retailer's software that can be used to record your inventory on hand counts. The biggest problem with count sheets is that no matter how they are sequenced they won't follow a logical flow of how goods are stocked.

Furthermore, if merchandise is on hand that isn't included on the count sheet it is quite easy to miss altogether. As opposed to following a wall to wall fixture map, count sheets make it nearly impossible to assure that all merchandise is counted. If they are used in conjunction with a wall to wall count, too much time will be wasted paging back and forth to find the associated items to record counts.

However, count sheets can be useful when performing narrow spot inventories. Count Sheets can also be useful when counting back stock or warehouse locations where product organization is very controlled.

Date of Count: November 8, 2009

Area Inventoried: Walk-in Cooler

Item Description (include grade or specifications)	Unit Size	Par Level	Quantity	Unit Cost	Extended Value
Ham, fully cooked	lb.		12	4.48	53.76
Kansas City Strip, 12 oz pre-portioned	ea.		36	6.07	218.52
Filet Mignon, 8oz pre-portioned	ea.		24	5.75	138.00
Chopped Sirloin	lb.		10	4.07	40.70
Catfish Fillets, breaded	lb.		5	4.79	23.95
Pork Chops, 6oz bone-in	ea.		30	1.75	52.50
Eggs	dz.		10	1.59	15.90
American Cheese	lb.		4	3.29	13.16
Sour Cream	gal.		1	10.20	10.20
Butter	lb.		13	2.49	32.37
Milk	gal.		8	2.79	22.32



(b) **Manual Count Sheets -** Manual Count Sheets are merely lined forms that allow you to record the product ID, quantity and, if needed, retail of merchandise being counted. Unlike Count Sheets that pre-determine the merchandise listed, this manual method can be effective for wall to wall counts.

When this method is used, count teams should be used: one person to call out the classes or SKUs, prices and counts while the other records them. When assigning teams this allows you to pair more experienced people as counters with less experienced people to record the inventory. This also helps less experienced people learn the inventory.

Manual count slips are quite effective when merchandise is controlled by classification as retail prices need to be recorded. However, when SKUs are used, it is very easy to mis-record or transpose numbers, even when relatively short SKUs are being used (6-7 digits). The other disadvantage of count slips is the cost of time and potential for errors as slip counts must be manually extended and totaled.

(c) **Portable Inventory Devices -** Portable Inventory Scanners can be the most efficient method for taking an inventory, especially when barcodes are used on the merchandise.



They eliminate the need for a two person count team, though all detail counts should still be verified. Portable scanners are most efficient when the entire inventory is bar-coded.

The major drawback to portable devices is the initial investment in the devices as you need enough to allow for complete counting in a short time period. However, the long term return justifies the investment in terms of efficiency and accuracy. Costs can also be defrayed by renting units or sharing them with other retailers taking counts at different times.

A wireless laptop with a scanner on a rolling stand is in itself a portable inventory device.

(d) **Inventory Services -** Several third party companies specialize in taking physical counts. Their advantage is that they are inventory specialists and are impartial. If you suspect internal theft, their impartiality can be critical. Their expense can offset against overtime wages and the costs of portable scanners. The disadvantage of an inventory service is that they are not knowledgeable about your merchandise, inventory practices and stock locations. The other concern with Inventory services is often the lack of quality and professionalism of the count teams; after all we all know how unpleasant physical counts can be, even when it is our own merchandise.

However, these disadvantages can be overcome through proper preparation and assuring that your staff oversees the counting process. The biggest problems retailers have with inventory counting services are rooted in setting unrealistic expectations. An inventory service

can not, and should not, be expected to replace a retailer's responsibility for planning, preparing for, auditing, and ultimately being responsible for their own counting.

Keep in mind that the best solution for a retail store might be a prudent combination of the aforementioned methods.

Assessment

Exercise

(a) In which case computer generated count slips are useful?

(b) What do you understand by third party inventory services?

(c) Explain following terms

1. Portable inventory device
2. Manual count sheets

Activity

Visit a nearby store and identify portable inventory devices used at the store.

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity.

Part A

- What are the advantages of a third party inventory services?
- What are various inventory counting methods? What is your suggestion for a retailer regarding best usage of these methods?

Part B

Discussed the following in class:

- What are the advantages of a portable inventory device of computer generated slips?

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to understand basic inventory counting methods		
Able to understand and explain different types methods used in inventory counting.		



Understanding the Process of Inventory Handling - II

Relevant knowledge

In the second part of understanding the process of inventory handling, let us learn the remaining steps involved in handling physical inventory.

Step III - Creating a Fixture Map

A fixture map is a physical layout of the store and all stock locations. Each fixture, display, rack, and back stock location should be assigned a **Fixture Map code** that relates to a slip code that will be used for counting.

Computer generated count sheets or manual count sheets are used, the form number(s) are recorded on the fixture map as the sheets are distributed. This provides a critical road map to a well planned wall-to-wall inventory that assures all products are counted.

Retail executive can quickly identify when sections of his inventory are missed. Additionally, it provides an excellent tool to enable verification counts to be compared against detail counts. **Verification counts** are merely total piece counts of each fixture/slip that can be compared to the **detail counts** recorded. When verification counts don't match detail counts a recount can then be taken for only the specific slip/fixture location.

A retail executive should not forget **back stock locations like in the warehouse** as well as other **"in process"** locations such as:

(a) Customer areas,

(b) Alteration areas,

(c) Manager's trunk

(d) Delivery vehicles etc.

When assigning Fixture Map/Slip Codes be sure that your code can be used by your counting device, software and/or counting service. For example, if your portable device only accepts numeric codes, don't use alpha numeric codes. For example if device uses a code 1420 or 2020 then don't use 20AB or 14CD in the slip for the same product.

Step IV - Prepare/Order Supplies Test Procedures

a) Make sure count slips, physical scanners are all ordered and scheduled. Make sure the teams have either a fresh supply of batteries or have rechargeable batteries for your scanners.

b) Make sure portable devices are tested and that teams can upload the data in a format readable by your software.

c) Make sure all prior counts have been deleted from memory and retest the download process to make sure prior counts don't get mixed with new counts.

d) Refresh memory of procedures the last thing someone wants to do at the end of a long day counting is to inadvertently delete data from a reader before it is captured and confirmed.





Step V - Visiting the Inventory



Prior to counting inventory it is important to reacquaint with it. Teams should go through each display and ensure that inventory isn't misplaced, damaged or obsolete, and make sure all merchandise is tagged.

This will not only save time during the counting process, but it will provide an opportunity to clean up, re-steam, and markdown, or even return aged or damaged inventory.

When counting inventory teams, focus should be solely on an accurate count. In preparation for an inventory, not only it will be more organized but it will offer the opportunity to carefully review it for age, damage or other presentation issues that prevent it from selling.

While teams are at it, look behind the dressing room mirrors, under the chairs, in drawers, behind displays and other discreet locations that may contain merchandise tags ripped off of goods by thieves.

While these goods won't be counted, the tags can be useful in pinpointing the source of shrinkage. It's also a great opportunity to dust and clean those hidden corners and crevices. While teams are at it, look around, under, and inside the cash drawers for missing cheques or currency.

Clean Up Returns

Returns should be thoroughly reviewed. Contact as many vendors as possible to get the needed Return Authorizations so goods can be returned and removed from inventory.

(Returns should be removed from inventory and charged back to vendor accounts payable in which case they shouldn't be counted)

Any goods remaining will need to be counted (unless they have been taken out of inventory) and in many cases teams will need to create merchandise tags so the goods are properly identified when counted.

Step VI - Taking the Counts

Freeze Transactions

Before the count begins, and until the initial count audit, all inventory transactions and movements should cease. Physical counts should only occur when the store is closed so sales aren't occurring and inventory isn't being moved for customers or vendors.

All receiving, returns, and transfers need to be cut off. It is especially important in these areas to have a careful cutoff in that team must know what inventory has or hasn't been recorded in the system. New shipments received should be frozen and seals shouldn't be broken. Anything that has been opened should be received in. All receipts should be posted to inventory.



Depending on how merchandise is moved between stores, inter-store transfers should be cut off a week before the physical counting for each store. A day or two might be enough if retailer use its own delivery vehicles, but a week or more might be required if retailer is using a common carrier to make sure all goods get delivered and properly counted.

Reconciling transfers (in and out), before and after a physical count, provides extra assurance that all goods have been counted correctly.

Allow counting teams to have plenty of time

For an inventory count to be accurate it must be deliberate. Be sure to schedule enough people and enough time to take the count and complete the count audits. Frequent and required breaks should be considered to make sure everyone stays fresh and alert. In fact, rotating teams can be ideal so no one is overwhelmed or overly relied on for results.

Do not move inventory while counting

The time to organize and clean up the inventory is before the physical counting begins. During the count is not advisable to move the misplaced inventory around the inventory you are counting. The risk of not counting or double counting it is too great.

Step VII - Verification counts and audit

It is important that preliminary audits be performed as goods are counted. Simple verification counts of the total number of pieces per fixture/slip can be easily achieved and allow you to recount slips with discrepancies and make sure entire sections haven't been missed.

Everyone in the counting team should understand that the task is not complete until these basic audit steps have been taken. If the detail count and verification count (the total piece count) doesn't match, retake the verification count to assure it is right; once the total piece count is confirmed the detailed slip/fixture should be recounted until the total piece counts balance.

Teams should also verify the fixture map. Once all fixtures have been counted with completion slips attached, walk through the store and make sure no merchandise has been missed. Areas to consider include the following:

- Display windows
- In store displays
- All stock locations
- In transit locations such as delivery trucks and managers' cars
- Customer hold merchandise
- Lay aways unless they are recorded as sales
- Merchandise out on approval with customers
- Alteration department for unsold items



Deeper research into discrepancies can always be completed at a later date - in fact several weeks or months later, but the only time a physical count can be accurately verified is at the time all movement is frozen.

A well planned and organized physical count is the basis of determining and analyzing shrinkage. Without a reliable physical count, analysis of the results will be unproductive.

Assessment

Exercise

(a) What is a fixture map?

(b) What precaution one should keep while assigning fixture codes?

(c) What is verification count?

Checklist for Assessment Activity

Use the following checklist to see if you've met all the requirements for assessment activity.

Part A

- Make a flow chart of the inventory handling procedure. Use different colours and boxes to show different activities and chronology of the activities.
- What are the precautions one should take while counting the inventory?

Part B

Discussed the following in class:

- Why transactions should be freeze before physical counting of the inventory start?
- What are the key areas which can be missed while final counting? Make a list of possible missed out places.

Part C

Performance Standards

The performance standard covered by the assessment includes the following, but not limited to:

Performance Standards	Yes	No
Able to understand basics of inventory counting		
Able to understand and explain steps in physical inventory counting and auditing.		



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