



The consumer durables market in India is moving towards organisation. Dr A Sivakumar examines tips and strategies for effective retailing in this segment

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Enduring solutions

Retail of consumer durables accounts for one of the largest sectors of the retail industry in India. With the increasing use of electronic consumer goods, several consumer durables outlets are transforming into consumer electronics stores. Consumer electronics retailing is reported to be a business worth Rs 2000 crores in India.

At several locations in the country, consumer electronics retailers are gradually becoming supermarkets and department stores where a range of electronic products are available. One of the reasons for this is the convergence between consumer durables and products that facilitate communication. The launch of the refrigerator brand, Tamanna, by Electrolux India is a good example of this convergence. This brand is a fantastic combination of a refrigerator, an FM radio and a voice recorder.

All-consuming lifestyle

Today's consumer electronics stores have the unique responsibility of advising consumers about the manner in which the product would fit into their homes. This is largely because consumers today have transcended the barrier between utility products and lifestyle products.

The entire look of the store is required to be spacious and uncluttered, especially in the movie, music and software areas. In-store communication today involves featuring lifestyle themes which emphasise how a particular product can entertain, educate or solve problems rather than communicating price-related information.

The interiors of the store should ideally match a typical family or living room layout as this would provide the perfect setting for consumers to visualise these products in their own home. A small business department in the store should cater to the needs of SoHos (small office home office). For example, if an outlet identifies most of its customers as being real estate salespeople, it can have a selection of packages with laptop computers, digital cameras, cellular phones and printers in various configurations, which would prove to be a great attraction.

Selling in private

Private sales are an in-store promotional event communicated by direct mail. These are by invitation only and typically last a single day. They are launched with a direct mail campaign, which targets either a group of prospective buyers or the dealer's entire customer list. Usually, prospective customers are invited to a timed sale event through a personalised letter, note



MERGING FUNCTIONS



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or postcard. Private sales are a powerful promotional tool because they generate significant revenue, turn prospective customers into actual customers, increase customer loyalty and assist retailers in creating and maintaining a customer database. Moreover, they are the perfect platform to introduce new high end products in the store.

Specifically, they contribute by way of an increased revenue, not just on the day of the sale, but also pre-sale and post-sale. They are also completely measurable, as retailers are aware of the kind of traffic the sale produced, the close ratio and precisely how much they made during the event. What's more, private sales complement and supplement traditional advertising through increased store awareness.

Utilising direct mail to announce a private sale has certain advantages over other marketing media. For one thing, direct mail is targeted – it is delivered to those people who are your best potential customers. Direct mail also virtually guarantees 100 per cent penetration of the market, assuring that your letter will get in the hands of everyone you target. Contrary to popular belief, most people do look at their direct mail and most importantly, direct mail is a more cost-effective method of targeting prospective customers than newspapers and television advertisements. Many newspapers are decreasing circulation and increasing rates, while with over 100 television channels to choose from, it is difficult as well as expensive to reach your target audience via this medium.

Attendees at private sales events tend to buy largely because the limited time of the sale instils a sense of urgency in customers, motivating them to buy now as against later. Moreover, the private aspect of the sale makes attendees feel special, which encourages buying behaviour. Taken together, all these elements increase a dealer's close ratio and average ticket, such that the sale easily pays for itself and generates substantial returns.

It is also crucial for retailers to bring in new customers, and private sale promotions with their targeting ability serve this purpose well.

Visual appeal

Although it is far from new, several empirical studies have indicated that the superstore method of product display works best in consumer electronics stores. Originally, it was known as 'price point merchandising,'

or PPM. This starts with a minimum of three different models for practically every SKU in the store.

The first of these models is appropriately dubbed the 'sell' model. This particular model provides all the benefits a consumer can expect from a product and also ensures a fair profit for the retailer. Signage on the model is so complete that the product practically sells itself to the shopper.

Alongside the sell piece in a superstore floor display is a 'high-end comparison' unit. This not only has all the features of a sell model, but also some extra semi-useful 'bells and whistles' to justify its higher price. This leaves just one model, a 'low-end comparison' sample, to round out the product mix. Although it shares various features with the sell piece, this model has sufficiently fewer features, which allows a salesperson to convince a shopper that its lower price point makes it less of a bargain.

Today, consumer durables stores are expected to advise consumers about how these products will fit into their homes

With all three SKU models in position, the superstore salesperson is now ready to take the prospective customer through a demonstration leading to a sale. In this way, a prospective customer, attracted by the price of one sample can be easily informed about the advantages of another.

Customers buy for pleasure and helping them achieve that goal is what makes the salesperson working within a carefully planned display, the most important key to a sale. Thus, an understanding of the display, an evaluation of the consumer and appropriate training for the salesperson can help even stores with small assortments to succeed.

Consumer durables in cyberspace

In the case of online retailing of consumer products, a good explanation of complex technology products is required. E-tailers need to take products home and test them out before writing reviews. However, in recent times, it has been felt that customers don't really care about an e-tailer's views regarding a particular product. Instead, they are more interested in what the manufacturer has to say about the product, which is why it may be a better idea to allow manufacturers to talk directly to the customers.

ADDING VALUE



Although they form a small percentage of sales, accessories account for a great percentage of profitability largely because retailers are able to generate higher net margin percentages on the sales of most consumer electronics accessories

Consumer behaviour studies also reveal that consumers are generally interested in other consumers' views about a product that they are considering. Not surprisingly, customer reviews are the most popular on numerous e-tailing sites. Moreover, these innovators (first customers to try a product) share hints and tips regarding the product. This is actually great for accessorising, because it ensures that customers purchase the appropriate accessories.

Adding a little more

Despite forming only a small percentage of retailers' total consumer electronics sales, accessories can account for a great percentage of their profitability. This is the **result of the** typical retailer being able to generate

Attendees at private sales events tend to buy because the private aspect makes them feel special and instils a sense of urgency

higher net margin percentages on the sales of most consumer electronics accessories. Typically, a retailer can see inventory returns that are between four and six times on basic consumer electronics accessories products. With dramatically declining margins on televisions, audio components, DVD players and VCRs, the high gross margin contribution of accessories should only become more important. Further, in several cases, required accessories will have higher retail prices than the basic product.

Cycle counting can help ensure that accessories are in stock and on the right peg hook. Accessory products have a tendency to be those that are misplaced on a planogram or lost in a stock room. Assortments can be tailored to ensure that accessory products and brands perform and achieve compatibility in terms of technology, brand and lifestyle. Data analysis tools are available for this purpose. With a focus on increasing the rate of attachment – accessories sold along with the products – retailers will see increased profits from the total sale of an item and ultimately of the entire consumer electronics assortment.

Increasing attachment rates is a simple strategy with an equally simple associated measure. For every component product sold, retailers can determine whether the required accessories were also sold. To make this operational at the sales floor level, retailers can keep the following points in mind:

◆ **Ensure that accessories are along with the associated components:** Implement signage that informs customers about the necessity and value of associated accessories and provide incentives for buying them

◆ **Create opportunities for impulse sales:** In this case, the strategy is to capture a sale by getting customers to see value in an accessory product that they were not predisposed to buy. Reminders that accessories at home need replacement or displays that focus on interesting new styles and colours may stimulate these sales. To procure these sales, retailers can merchandise accessories in places like cash counters and ends of the aisle, where displays that feature the characteristics of accessories can be used to aggressively target customers

◆ **Maximise upgrade sales opportunities:** Many accessories help improve the performance of associated products. A retailer can use a number of tactics to help convince a customer that the step-up accessory will truly create an improvement in performance.

One approach is to create displays and point-of-purchase materials that illustrate the performance improvement and how it is achieved. Also, train and educate staff on how the accessory helps improve performance such that a customer understands the value of buying it. Another effective way is to provide instruction material.

Increasing competition and complexity in consumer durables/electronics retail calls for strategies that are different from those applied in other retail categories. Based on consumer behaviour, innovation in the various dimensions of retail are required. The convergence of diverse technology and the changing lifestyles of the consumers demand that retailers in this sector utilise experience and service as the key differentiators for consumers.

At both these differentiator levers, building human capability is paramount. Generating ideas through interaction with consumers and salespersons and creative tactics to attract consumer attention are required. Private sales events and better visual merchandising are examples of strategies that can be implemented. In addition, the sales of accessories can be focused effectively in achieving greater profitability. ■

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