

Retailing

Introduction

Definition: Retailing is a distribution process, in which all the activities involved in selling the merchandise directly to the final consumer (i.e. the one who intends to use the product) are included. It encompasses sale of goods and services from a point of purchase to the end user, who is going to use that product.

Retailer implies any organization, whose maximum part of revenue comes from retailing. In the supply chain, retailers are the final link between the manufacturers and ultimate consumer.

The Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to the entry of several new players. Total consumption expenditure is expected to reach nearly US\$ 3,600 billion by 2020 from US\$ 1,824 billion in 2017. It accounts for over 10 per cent of the country's Gross Domestic Product (GDP) and around 8 per cent of the employment. India is the world's fifth-largest global destination in the retail space.

Market Size

India's retail market is expected to increase by 60 per cent to reach US\$ 1.1 trillion by 2020, on the back of factors like rising incomes and lifestyle changes by middle class and increased digital connectivity. Online retail sales are forecasted to grow at the rate of 31 per cent year-on-year to reach US\$ 32.70 billion in 2018.

India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. Various agencies have high expectations about growth of Indian e-commerce markets.

Luxury market of India is expected to grow to US\$ 30 billion by the end of 2018 from US\$ 23.8 billion 2017 supported by growing exposure of international brands amongst Indian youth and higher purchasing power of the upper class in tier 2 and 3 cities, according to ASSOCHAM.

Growth of organized retailing in India

Retail Industry, one of the fastest changing and vibrant industries that, has contributed to the economic growth of our country. Within a very short span of time, Indian retail industry has become the most attractive, emerging retail market in the world.

Healthy economic growth, changing demographic profile, increasing disposable incomes, changing consumer tastes and preferences are some of the key factors that are driving growth in the organised retail market in India.

Some of the factors responsible for the growth of organised retailing are as under:

1. Growth of middle class consumers:

In India the number of middle class consumer is growing rapidly. With rising consumer demand and greater disposable income has given opportunity of retail industry to grow and prosper.

They expect quality products at decent prices. Modern retailers offer a wide range of products and value added services to the customers. Hence this has resulted into growth of organised retailing in India.

Growing consumerism would be a key driver for organized retail in India. Rising incomes and improvements in infrastructure are enlarging consumer markets and accelerating the convergence (meeting) of consumer tastes.

2. Increase in the number of working women:

Today the urban women are literate and qualified. They have to maintain a balance between home and work. The purchasing habit of the working women is different from the home maker.



Image Courtesy : s160131.gridserver.com/wp-content/uploads/Women-in-Dang-are5494717374_1.jpg

They do not have sufficient time for leisure and they expect everything under one roof. They prefer one-stop shopping Modern retail outlets therefore offers one store retailing.

3. Value for money:

Organised retail deals in high volume and are able to enjoy economies of large scale production and distribution. They eliminate intermediaries in distribution channel.



Image Courtesy : gdb.voanews.com/E23003A0-595D-4D5E-AFF8-2386B8C18A5_mw1024_n_s.jpg

Organised retailers offer quality products at reasonable prices. Example: Big Bazaar and Subhiksha. Opportunity for profit attracts more and more new business groups for entering in to this sector.

4. Emerging rural market:

Today the rural market in India is facing stiff competition in retail sector also. The rural market in India is fast emerging as the rural consumers are becoming quality conscious.



Image Courtesy : exec.tuck.dartmouth.edu/images/uploads/CMS/432/market_stall_kim__detail.jpg

Thus due to huge potential in rural retailing organised retailers are developing new products and strategies to satisfy and serve rural customers. In India, Retail industry is proving the country's largest source of employment after agriculture, which has the deepest penetration into rural India.

5. Entry of corporate sector:

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

6. Entry of foreign retailers:

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

7. Technological impact:

Technology is one of the dynamic factors responsible for the growth of organised retailing. Introduction of computerization, electronic media and marketing information system have changed the face of retailing. Organized retailing in India has a huge scope because of the vast market and the growing consciousness of the consumer about product quality and services.

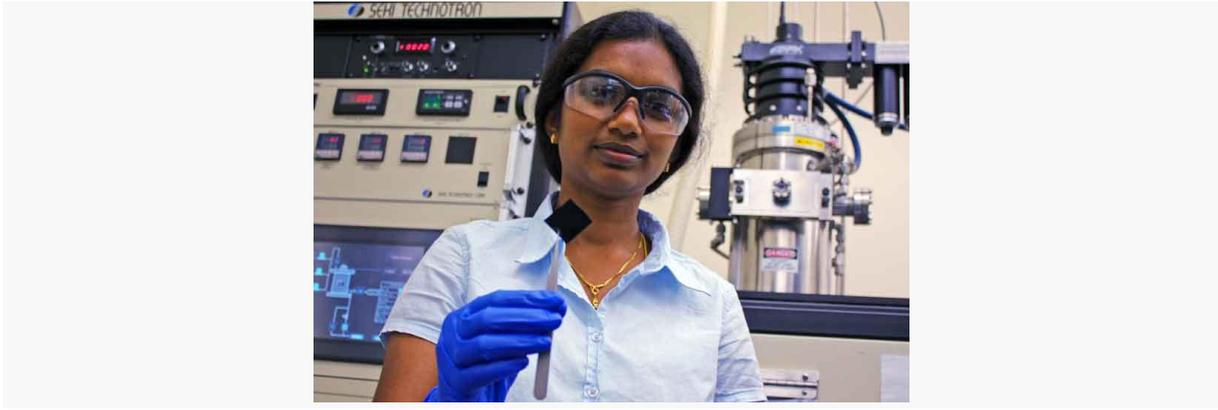


Image Courtesy : news.uns.purdue.edu/images/+2009/thiruvolu-birck-india.jpg

One of the major technological innovations in organised retailing has been the introduction of Bar Codes. With the increasing use of technology and innovation retailers are selling their products online with the help of Internet.

8. Rise in income:

Increase in the literacy level has resulted into growth of income among the population. Such growth has taken place not only in the cities but also in towns and remote areas.



Image Courtesy : yourarticlelibrary.com/wp-content/uploads/2013/12/766.jpg

As a result the increase in income has led to increase in demand for better quality consumer goods. Rising income levels and education have contributed to the evolution of new retail structure. Today, people are willing to try new things and look different, which has increased spending habits among consumer.

9. Media explosion:

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



Image Courtesy : indolinkenglish.files.wordpress.com/2012/10/home-entertainment-logo.jpg

10. Rise of consumerism:

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



Image Courtesy :

cdn1.cowbird.com/items/pages/2013/03/20/05/19/119555/21642_5149451e886cf9.70152805-big.jpg

The retail industry is divided into organised and un-organised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc.

These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Un-organised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors.

It is important to understand how retailing works in our economy, and what role it plays in the lives of its citizens, from a social as well as an economic perspective. India still predominantly houses the traditional formats of retailing, that is, the local kirana shop, paan/beedi shop, hardware stores, weekly haats, convenience stores, and bazaars, which together form the bulk.

Retail Formats

A. Store based retailer:

Store based retailer is again classified,

I. On the basis of ownership:

1. Independent retailer:

An independent retailer is one who owns and operates only one retail outlet. Such stores can be seen under proprietorship. The individual retailer can easily enter into a retail market. The owner is assisted by local staff or his family members. These kinds of shops are passed from one generation to other generation.

The independent retailer maintains a good relationship with the customers. Small scale retail business: Single owners can easily start and manage small business units profitably with the help of one or two assistants. It can be a grocery store, stationery shop, or a cloth store, etc.

2. A chain retailer:

When two or more retail outlets are under a common ownership it is called a retail chain. For example: One of a number of retail stores under the same ownership and dealing in the same merchandise. It is called chain retailing.

Chain Stores are groups of retail stores engaged in the same general field of business that operate under the same ownership or management, chain stores are retail outlets owned by one firm and spread nationwide. For example, Van Heusen, Food world, Shopper's stop etc.

3. Franchise:

A franchise is a contractual agreement between franchisor and a franchisee in which the franchisor allows the franchisee to conduct a business under an established name as per the business format. In return the franchisee has to pay a fee to the franchiser. For example: Pizza hut, McDonalds, etc.

4. Leased Department:

These are also known as Shop in Shops. When a section or a department in a retail store is rented to the outside party it is called leased department. The licensor permits the licensee to use the property and in turn the licensee pays a fee to the licensor for using his property.

5. Consumer Co-operatives:

A consumer co-operative is a retail organisation owned by its member customers. The objective is to provide commodities at a reasonable price. For example: Sahakari Bhandar, Apna Bazaar etc.

II. On the Basis of Merchandise offered

1. Departmental Stores:

A departmental store is a large scale retail institution that offers several products from a pin to plane such as clothing, grocery etc. Retail establishment that sells a wide variety of goods.

Departmental stores are the largest form of organized retailing today, located mainly in metro cities, in proximity to urban outskirts. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Piramyd, Pantaloon.

2. Convenience stores:

These are relatively small stores located near the residential area. They offer limited line of convenient products such as A ` store is a small store or shop that sells items such as candy, ice-cream, soft drinks, lottery tickets, cigarettes and other tobacco products, newspapers and magazines, along with a selection of processed food and perhaps some groceries, etc.

Such stores enable the customers to make quick purchase and offer them few services. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day; Prices are slightly higher due to the convenience premium.

3. Super Market:

These are retail organisations that provide low cost high volume self-service operation to meet consumer requirements. Most of the super market charge lower price. Example: Subhiksha.

They are the large self-service outlets, catering to varied shopper needs. These are located in or near residential high streets. A supermarket, also called a grocery store, is a self-service store offering a wide variety of food and household merchandise, organized into department.

It is larger in size and has a wider selection than a traditional grocery store and it is smaller than a hypermarket or superstore. Supermarkets usually offer products at low prices by reducing their economic margins.

. Hyper Market:

A hypermarket is a superstore which combines a supermarket and a department store. Hyper markets are huge retail stores that offer various products such as clothes, jeweler, stationery, electronic goods at cheaper price. Example: Big Bazaar, Star Bazaar, Giant Stores etc. They focus on high volume.

4. Specialty stores:

A specialty store is a store, usually retail, that offers specific and specialized types of items. They offer a narrow product line that concentrates on specialised products such as jeweler, fabrics, furniture etc. Customer service and satisfaction are given due importance.

For example, a store that exclusively sells cell phones or video games would be considered specialized. A specialty store specializes in one area.

B. Non-Store Retailing:

A direct relationship of the retailer with his customer is on the basis of non-store Retailing. In India around twenty percent of retail sale is from non-store. The proportion of non store is growing steadily.

It is classified as under:

1. Direct Selling:

Direct selling is a retail channel for the distribution of goods and services. There is no fixed retail location. In direct selling there is a direct contact of the retailer with his ultimate customers.

It is highly an interactive form of retailing. Products like cosmetics, jewellery, food items are sold in such manner. The retailers visit home place or work place of the customers to sell the products. It is also known as network marketing where the products and services are sold face to face.

2. Mail order:

It is a retail format in which offerings are communicated to the customers through a catalogue, letters or brochures. Such retailing is suitable for specialty products. The buyer places an order for the desired products with the merchant through a telephone call or website. Internet and online payment options, has made shop from home easier.

3. Tele Marketing:

It is a form of retailing in which the products are advertised on television. Details about the product in regard to its features, price, warranty, direction to use etc. are mentioned and explained. Phone numbers are provided due to which customers can make a call and place an order for the product.

4. Automatic Vending:

This is a form of non store retailing in which the products are stored in a machine and dispensed to the customers when they deposit cash. Vending machines are placed at convenient and busy locations like air ports, shopping malls, working place etc. This machine primarily contains products like chocolates, snacks and drinks etc.

5. Electronic retailing:

It is also called as e-tailing or internet retailing. It is a retail format in which products are offered to the customers through internet. The customers can evaluate and purchase the products from their homes or office place. This kind of retail is gaining importance in recent years.