

RETAILING- CHANGE IN FORMATS

* Ameet.Chate

ABSTRACT

This report examines in detail the changing dynamics in the Indian retailing industry at the turn of the 21st century, mainly driven by the growth of organized retailing sector and increased personal consumption of customers on account of rising incomes, increased exposure to foreign goods and growth in nuclear families and double income families. The Indian retail sector is going through a transformation and this emerging market is witnessing a significant change in its growth and investment pattern. Both existing and new players are experimenting with new retail formats.

The paper is going to cover most of the aspects related to retailing like:

1. Types of retailing.
2. Types of retail stores and non store retailing.
3. Changes that have taken place in retailing over a period of time.
4. Marketing decisions related to retailing.
5. Scope for retailing in India

INTRODUCTION

There is a fantastic rise in the Indian organized retail sector in a very short period of time between 2001 and 2008. Eventually, out of the shadows of the unorganized retail sector, India is experiencing organized retailing.

The growth of the **Indian organized retail sector** is anticipated to be heavier than the growth of the gross domestic product. Alterations in people's lifestyle, growth in income levels, and encouraging conventions of demography are proving favorable for the new emerging trends in the Indian organized retail sector.

Retailing in India is currently estimated to be a USD 200 billion industry, of which organized retailing makes up 3 percent or USD 6.4 billion. By 2010, organized retail is projected to reach USD 23 billion and in terms of market share it is expected to rise by 20 to 25 per cent.

With the arrival of the Transnational Companies (TNC), the **Indian retail sector** will undergo a transformation. At present the Foreign Direct Investments (FDI) is not encouraged in the **Indian organized retail sector** but once the TNC'S get in they inevitably try to oust their Indian counterparts. This would be challenging to the retail sector in India.

The trends to follow in the future:

- The **Indian Organized retail sector** will grow up to 10% of total retailing by 2010.
- No one single format can be assumed as there is a huge difference in cultures regionally.
- The most encouraging format now would be the hyper marts.
- The hyper mart format would be further encouraged with the entry of the TNCs.

* Lecturer, Karnatak Lingayat Education Society's MBA College, Belgaum.
E mail : ameer.chate@gmail.com

TYPES OF RETAILING :

1. Organized retailing
2. Unorganized retailing

❖ **What do you mean by organized retailing?**

The sale of consumer goods within a coordinated and planned structure is known as organized retailing. This structure generally includes a copy able system with defined standards that can span across multiple locations and administered by a central group.

❖ **What do you mean by unorganized retailing?**

Unorganized retailing is defined as an outlet run locally by the owner or caretaker of a shop that lacks technical and accounting standardization. The supply chain and sourcing are also done locally to meet local needs.

DIFFERENCE BETWEEN ORGANISED AND UNORGANISED RETAILING

Organized Retailing	Unorganized Retailing
Pay taxes regularly	Do not pay taxes regularly
Cannot supply as per quantity demanded	Customized supply is possible
More investment in inventory	Less investment in inventory
Store ambience is very important	Store ambience is not given importance
Usually target educated, professional people	Usually target middle class people
Everything is available under a single roof	Everything may not be available under a single roof
Sell experience along with the product	Sell only the product
Credit facilities are not acceptable	Usually most of the business runs on credit basis

TYPES OF RETAIL STORES:

- (1) **Specialty stores:** A specialty store is a store, usually retail, that offers specific and specialized types of items. These stores focus on selling a particular brand, or a particular type of item.
Example: medical stores, sweet shops, opticians
- (2) **Departmental stores:** A large retail store offering a variety of merchandise and services and organized in separate departments.

Example: Big Bazaar

- (3) **Super market:** A large self-service retail market that sells food and household goods.
Example: forum mall, nucleus mall, central mall
- (4) **Convenience stores:** A small retail store that is open long hours and that typically sells staple groceries, snacks, and sometimes petrol
Example: IN & OUT
- (5) **Discount stores:** A store that sells merchandise, especially consumer goods, at a discount from the manufacturers suggested retail price.
- (6) **Factory outlets:** Retail store, operated by a manufacturer, which provides an outlet for selling the manufacturers irregular, overrun, or end-of-season merchandise.
Example: Bata, Campbell, Levis, Provogue
- (7) **Catalog shops:** a shop where actual goods are not displayed

NON STORE RETAILING:

- (1) **Chain marketing:** offer membership on purchase of some specific amount there by giving the consumer a franchise
Examples: Tupperware, oriflamme
- (2) **Personal selling:** Face to face selling in which a seller attempts to persuade a buyer to make a purchase.
Example: Eureka forbes
- (3) **Direct selling:** Face to face presentation, demonstration, and sale of products or services, usually at the home or office of a prospect by the independent direct sales representatives.
Example: DELL computers
- (4) **Vending machines:** A coin-operated machine that dispenses merchandise.
Examples: Nescafe

Changes that have taken place in retailing over a period of time:

The origins of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymonds, etc. Later Titan launched retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing.

Retail outlets such as Food world in FMCG, Planet M and Music world in Music, Crossword in books entered the market before 1995. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. this would finally lead to more of consolidation, mergers and acquisitions and huge investments.

The retail sector is currently undergoing a significant shift, in large parts due to changes in demographics, technology and land use practices. As value-oriented and non-store retailing continue to

grow, the industry expects to see a worsening supply situation. Both developers and owners need to gain an insight into the different components of a given market if they are to be competitive in the modern business environment.

Marketing decisions related to retailing:

1. Customer profiling
2. Product assortment
3. Procurement decisions
4. Customer service decisions
5. Store ambience decisions
6. Pricing decisions
7. Promotional decisions
8. Place decisions

Scope for retailing in India:

(1) India : A Perfect Destination for Business Expansion

- a) A stable Government with stable stage reforms in place.
- b) Well established corporate ethics.
- c) Major tax reforms including implementation of VAT Investments & Returns.
- d) \$130 billion-plus investment in infrastructure by year 2010

(2) A Resplendent Market

- a) Largest young population in the world – over 890 million people below 45 years of age
- b) More English-speaking people in India than in the whole of Europe put together
- c) 600 million-plus effective consumers by year 2010
- d) 550 million-plus people under the age of 20 by year 2015
- e) 70 million-plus people earn over Rs.8,00,000 (\$18,000) a year – number to rise to 140 million by year 2011

(3) FDI and Global Retailers

- a) 51% FDI allowed in single brand retailing
- b) FDI laws relatively liberal in wholesale trade
- c) More foreign retailers eyeing possibilities in wholesale
- d) Tesco, Carrefour and Wal-Mart expected to operate soon
- e) Woolworths (Dick Smith Electronics – durable retail arm) entering through a JV with the Tata conglomerate

Conclusion:

Retail industry in India is greatly fragmented comparing to the developed and other developing countries. This presents enormous prospective for the structured retail industry to flourish throughout the country, as the market for the final product is huge.

The global retail giants like Wal-Mart, Gap, Tesco, Versace, K-Mart/SEARS, Carrefour, ZARA, have made plans to march in the Indian market. ESPRIT, GUESS, Chanel, Mango and many other global brands have marked their presence in India by implementing licensing and franchisee agreements.

The Indian retail market, which is the fifth largest retail destination globally, has been ranked the second most attractive emerging market for investment after Vietnam in the retail sector by AT Kearney's seventh annual Global Retail Development Index (GRDI), in 2008.

Hence we can say that the future for retailing in India is bright.

REFERENCES:

1. Retail management..... M.A. Shewan
2. Retail management..... V.V.Gopal
3. Principles of retailing..... John Fernie, Suzanne Fernie
4. Retail management.....Levy Weitz