Chapter –III

Theoretical Aspects of Retailing

3.1 Introduction
3.2 Functions of Retailing
3.3 Types of Retail Organizations
   3.3.1 Retailer classified on the basis of Ownership
   3.3.2 Retailers classified on the basis of Strategy
      3.3.2.A. General Merchandise Retailers
      3.3.2.B Food Retailers
3.4 Methods of Customer Interaction
3.5 Changing Scenario of Retail
   3.5.a Role of Internet
   3.5.b Branding through Retailers
3.6 Retail Mix
3.7 Strategic Retail Planning Process
3.8 Retail Market Strategy
3.9 Competitive Advantage
   3.9.1 Approaches to Gain Competitive Advantage
3.10 Implementing Retail Strategy
3.11 Manufactured Brands
3.12 Private Labels
   3.12.1 Advantages of Private Labels
   3.12.2 Limitations of Private Labels
3.13 Unorganized Retailing
Chapter –III
Theoretical Aspects of Retailing

3.1 Introduction

The word ‘retail’ is derived from the French word retaillier, meaning ‘to cut a piece-off’ or ‘to break bulk’. In most simple terms, it implies a first hand transaction with the customer. The term retail refers to the sale of goods or commodities in small quantities directly to consumers. Thus, a retailer is a company or an organization that purchases products from individuals or companies with the intent to resell those goods and services to the ultimate, or final, consumer. The U.S. federal government considers a retailer a business that sells more than 50 percent of its products to the ultimate consumer\(^1\). Ultimate consumers, or end users, are families, individuals, or households that plan to consume the products or services themselves.

3.1.1 Definition

Retailing is a set of activities that markets products or services to final consumers for their own personal and household use. It does this by organizing their availability on a relatively large scale and supplying them to consumers on relatively small scale. Any business that directs its marketing efforts towards satisfying the final consumer based upon, the organization of selling goods and services as a means of distribution\(^2\).

David Gilbert has defined retail as any business that directs its marketing efforts towards satisfying the final consumer based upon the organisation of selling goods and services as a means of distribution\(^3\).

As per the above definition the final consumer is a key concept within the distribution chain, especially since the retailers are at the end of the chain and directly interact with the customer. Moreover, the final consumer is presumed to be the final user of a
purchase unlike a customer who may have bought the goods for their own use, as a present or as part of their own business activity.

The vast majority of retailing occurs in stores throughout the world, other venues for retail vending machines, door-to-door sales, cyber sales (or e-tailing) and sales point of consumption sales. Retailers are often referred to as intermediaries, middlemen, or because of the positions they hold in the marketing process. A marketing intermediary (middleman) links producers to other middlemen or to ultimate consumers through contractual arrangements or through and reselling of products.

The retailing concept covers four broad areas and is an essential part of the retailing strategy.

(i) Customer Orientation: The retailer makes a careful study of the needs of the customer and attempts to satisfy those needs.

(ii) Goal Orientation: The retailer has clear cut goals and devise strategies to achieve those goals.

(iii) Value Driven Approach: The retailer offers good value to the consumer with merchandise having the price and quality appropriate for the target market.

(iv) Coordinated Effort: Every activity of the firm is aligned to the goal and is designed to maximize its efficiency and deliver value to the consumer.

### 3.2 Functions of Retailing

Retailers perform various functions like sorting, breaking bulk, holding stock, as a channel of communication, advertising, storage and certain additional services such as:

#### 3.2.1) Sorting:

Manufacturers usually make one or a variety of products and would like to sell their entire inventory to a few buyers to reduce costs. Final consumers in contrast prefer a large variety of goods and services to choose from and usually buy them in small quantities. Retailers are able to balance the demands of both sides, by collecting an assortment of goods from different sources, buying them in sufficiently large quantities, and selling them to
consumers in small units. This process is referred to as the sorting process. Through this process, retailers undertake activities and perform functions that add to the value of the products and services sold to the consumer. Westside provides clothing and accessories, while a chain like Nilgiris specialize in food and bakery items. Shoppers’ Stop targets the elite urban class, while Pantaloons is targeted at the middle class.

3.2.2) Breaking Bulk: Breaking bulk is another function performed by retailing. The word retailing is derived from the French word retaillier, meaning to cut a piece off. To reduce transportation costs, manufacturers and wholesalers typically ship large cartons of the produce which are then tailored by the retailers into smaller quantities to meet individual consumption needs.

3.2.3) Holding Stock: Retailers also offer the service of holding stock for the manufacturers. Retailers maintain an inventory that allows for instant availability of the product to the consumers. It helps to keep prices stable and enables the manufacturer to regulate production. Consumers can keep a small stock of products at home as they know that this can be replenished by the retailer and can save on inventory carrying costs.

3.2.4) Additional Services: Retailers ease the change in ownership of merchandise by providing services that make it convenient to buy and use products. Providing product guarantee, after-sales service, and dealing with consumer complaints are some of the services that add value to the actual product at the retailers’ end. Retailers also offer credit and hire purchase facilities to the customers to enable them to buy a product now and pay for it later. Retailers fill orders, promptly process, deliver and install products. Salespeople are also employed by retailers to answer queries and provide additional information about the displayed products. The display itself allows the consumer to see and test products before actual purchase. Retail essentially completes transactions with customers.
3.2.5) **Channel of Communication:** Retailers also act as the channel of communication and information between the wholesalers or suppliers and the consumers. From advertisements, salespeople, and display, shoppers learn about the characteristics and features of a product or services offered. Manufacturers, in their turn, learn of sales forecasts, delivery delays, and customer complaints. The manufacturer can then modify defective or unsatisfactory merchandise and services.

3.2.6) **Transport and Advertising Functions:** Small manufacturers can use retailers to provide assistance with transport, storage, advertising, and prepayment of merchandise. This also works the other way round in case the number of retailers is small. The number of functions performed by a particular retailer has a direct relation to the percentage and volume of sales needed to cover both their costs and profits.

3.3 **Types of Retail Organizations**

Retail organizations are generally based on some type of classification system that mirrors the retailer’s business operations. For example, a retailer that specializes in getting the consumer a product or service in the most convenient way possible could be classified as a convenience retailer. There is some overlap among the types of retailers that exist and also some differences in the way they are classified. For example, a convenience store and a supermarket may both be classified as food retailers. The classification systems discussed next will help you better understand the various types of retail institutions. It is important to understand the types of retail organizations because they have a competitive impact on business.

3.3.1) **Retailers Classified On The Basis Of Ownership**

One of the first decisions that the retailer has to make as a business owner is how the company should be structured. This decision is likely to have long-term implications, so it is important to consult with an accountant and attorney to help one select preferred ownership structure. In making the choice, the following aspects need to be considered:
(i) Retailer’s vision regarding the size and nature of his business,
(ii) The level of control he wishes to have,
(iii) The level of structure they are willing to deal with,
(iv) The business vulnerability to lawsuits,
(v) Tax implications of the different ownership structures,
(vi) Expected profit (or loss) of the business.
(vii) Whether or not one is required to re-invest earnings in the business,
(viii) Retailer’s need for access to cash from the business for personal use.

Some basic legal forms of ownership for retailers:

3.3.1. i) Sole Proprietorships
The vast majority of small businesses start out as sole proprietorships. These firms are owned by one person, usually the individual who has the day-to-day responsibility for running the business. In this case, the retailer owns all the assets of the business and the profits generated by it. It assumes complete responsibility for any of its liabilities or debts. Sole proprietors are in complete control and, within the parameters of the law, may make decisions as they see fit. Sole proprietorship may be at a disadvantage in raising funds and are often limited to using funds from personal savings or consumer loans.

3.3.1. ii) Partnerships
A partnership is a common format for carrying out business activities on a small or medium scale. In a partnership, two or more people share ownership of a single business. As in case of proprietorships, the law does not distinguish between the business and its owners in partnership. Partnerships are relatively easy to establish; however, time should be invested in developing the partnership agreement. With more than one owner, the ability to raise funds may be increased. The partnership may have a limited life; it may end upon the withdrawal or death of a partner.
3.3.1. iii) Joint Venture

A joint venture is not well defined in the law. Unless incorporated or established as a firm as evidenced by a deed, joint ventures may be taxed like association of persons, sometimes at maximum marginal rates. It acts like a general partnership, but is clearly for a limited period of time or a single project. If the partners in a joint venture repeat the activity, they will be recognized as an ongoing partnership, and will have to file as such and distribute accumulated partnership assets upon dissolution of the entity.

3.3.1. iv) Limited Liability Company (LLC)

The LLC is a relatively new type of hybrid business structure that is now permissible in most states. It is designed to provide the limited liability features of a corporation and the tax efficiencies and operational flexibility of a partnership. The owners are members, and the duration of the LLC is usually determined when the organization papers are filed. The time limit can be continued if desired by a vote of the members at the time of expiration.

3.3.1. v) Independents

An Independent retailer operates only one retail establishment. The majority of these stores are owner or family managed. The case of entry into this type of retailing makes the independent retail store attractive to those with few capital resources. Although independent retailers make up 80 percent of all retailers, their sales represent only 40 percent of retail sales. Independent retailers have the advantage of being able to respond quickly to their customers’ needs and wants.

Due to the smaller size and location, independent retailers have greater opportunities than other types of retailers to build customer relationships. One of the most important variables for success as a small, independent retailer is to develop strategic clarity. Strategic clarity is the commitment to achieve an in-depth understanding of the retailer’s strengths and weaknesses, including the strengths and weaknesses of its integrated retail management and marketing programs.
3.3.1. vi) Chains

Corporate chain stores operate multiple retail stores. Although the majority of chain operations are small, the bulk of sales in retailing come from the larger chain stores such as Wal-Mart, Sears, and Home Depot. By purchasing in large quantities, the big chains can purchase products at reduced costs, thereby gaining the ability to pass on the lower costs to their customers. The large-volume purchases also allow these retailers to negotiate with suppliers for a lower per-product. In addition to lower costs for purchases, the large chains generally use computerized systems for inventory control, ordering, and theft control. By reducing the costs associated with these functions, the chains can, once again, pass the savings on to their customers in the form of lower product and service prices. Due to their size, chains have the advantage of using information technology more efficiently than smaller retailers. Technology also allows chains to link directly with suppliers and have merchandise shipped when it falls below a given level. Disadvantage is the difficulty in tailoring the product assortment to different geographic areas. To take advantage of economies of scale, chains often purchase the same products for all their stores.

3.3.1. vii) Franchises

A franchise is a contractual agreement between a franchisor and a franchise. This agreement allows the franchises to operate a retail establishment using the name and the franchisor’s operating methods. McDonald’s, for example, is a franchisor. McDonald’s creates contracts with individual owners of restaurants and allows the owners to use the McDonald’s name. Depending on the contract, the franchise pays the franchisor a fee plus royalties, typically based on sales, for the right to own and operate the business in a particular location. In return, the franchisor offers the franchises expert assistance in site selection, building requirements, employee or managerial training, and advice or requirements for product or service offerings. The franchise receives all profits from the operation of the retail business after paying the royalty and thus is motivated to try to increase sales as much as possible.
3.3.1. viii) Leased Departments
Another form of retail ownership is the leased department. A leased department consists of space in a larger retail store that is rented to an outside vendor. The retail business that leases the space runs that area as if it were a small business within the larger business unit. It is generally responsible for all retail functions. In addition, the lessee pays rent for the space. Examples of leased departments often include jewellery and shoe departments in large department stores. Because many larger stores lack the expertise for a given product line—for example, jewellery—they get the advantage of greater expertise within the store.

3.3.1. ix) Cooperatives
There are three major types of cooperative store arrangements: retail-sponsored cooperatives, wholesale-sponsored cooperatives, and consumer cooperatives. To overcome many of the disadvantages associated with being a smaller, independent retailer, some retailers’ band together to create a retail-sponsored cooperative, an organization that allows centralized buying and overcomes other problems involved in running a small retail operation. Through centralized buying, member retailers can take advantage of the price savings that accompany large purchases from vendors.

3.3.2) Retailers classified on the basis of Strategy
Retail stores are often classified by the types of strategies they employ in selling their goods and services. This is divided into two major strategic categories: general merchandise retailers and food retailers.

A ) General Merchandise Retailers
General merchandise retailers are involved, obviously, in the sale of general, nonfood merchandise. Almost any nonfood item falls into this category.

3.3.2. A. i) Department Stores
Department stores are large retailers that carry a wide breadth and depth of products. In addition, they offer more customer service than their general merchandise
competitors. Department stores are so named because they are organized by departments — such as juniors, men’s wear etc. In recent years, department store sales have slowed because of the appearance of specially retailers and full-line discount stores. Strategies for success in department store retailing include expanded customer service, sales training for sales personnel, and elimination of nonproductive, slow-selling products. A movement is under way in department store retailing to generate more research in the area of consumer information to be used to create better customer relations.

### 3.3.2. A ii) Discount Stores

The difference between a department store and a full-line discount store lies in the service and merchandise areas. Discount stores generally offer limited customer services but have merchandise priced below that of department stores. In addition, the products sold at some discount stores tend to be less fashionable than similar merchandise carried at larger department stores. The main strategy employed by the discounter is to develop an image of high-volume, low-cost products. A key factor spurring the growth of discount retailers is value consciousness. The rise in discount retailers has been due in part to the attention they have paid to their core competencies, such as low prices and a wide selection of products.

### 3.3.2.A. iii) Specialty Stores

Specialty stores carry a limited number of products within one or a few lines of goods and services. They are so named because they specialize in one type of product, such as apparel and complementary merchandise. Specialty stores utilize a market segmentation strategy rather than a typical mass marketing strategy when trying to attract customers. They tend to create a market niche for their product assortments. Although they do not carry a large number of product lines (width), they offer many products within each line (depth). Specialty retailers tend to specialize in apparel, shoes, books, toys, auto supplies, jewellery, and sporting goods.
3.3.2. A iv) Off-Price Retailers

Off-price retailers resemble discount retailers sell brand-name Merchandise at everyday low prices (EDLP). Off-price retailers rarely offer many Services to customers. The key strategy of off-price retailers is to carry the same type of merchandise as traditional department stores but offer prices that can be 40 to 50 percent lower. To be able to offer lower prices, off-price retailers develop special relationships with their suppliers for large quantities of merchandise. Inventory turnover is the key to a successful off-price retailing business. In addition to purchasing closeouts and cancelled orders, off-price retailers negotiate with manufacturers to discount orders for merchandise that is out of season or to prepay for items to be manufactured, thus reducing the buying prices of those items. Because off-price retailers do not ask the manufacturers for additional services such as return privileges, advertising allowances, or delayed payments, they are often able to get reduced prices for the merchandise they purchase.

3.3.2. B) Food Retailers

There are many types of food retailers. To make their classifications easier to understand, this section is broken down into the main types of food retailers. To remain competitive in the mature food retail business, many retailers are carrying merchandise outside their traditional lines. As the mass merchandisers industry begins to mature, this channels vigorous focus on food as a vehicle for growth results in super centers that are beginning to look similar to conventional grocery stores. The conventional supermarket channel, in turn, has fought back with an expanded offering of general merchandise and various other peripheral departments.

3.3.2. B. i) Conventional Supermarkets

Conventional supermarkets are essentially large department stores that specialize in food. According to the Food Marketing Institute, a conventional supermarket is a self-service food store that generates an annual sales volume of $2 million or more. These stores generally carry grocery, meat, and produce products. One benefit that accompanied the development of supermarkets was increased Impulse buying. Impulse purchases are those that haven’t been planned.
Shoppers at conventional supermarkets generally prepare a list of items needed for their households. While in the supermarket, however, they may find some tempting items that weren't on the list and may purchase them on the spot, or by impulse. The key to successful supermarket sales is high inventory turnover. Because supermarkets have a great deal of competition from convenience stores, warehouse stores, and superstores, they must develop an effective strategy to keep their customers coming back.

3.3.2.B. ii) Superstores

One of the biggest trends over the past twenty years in food retailing has been the development of superstores. Superstores are food-based retailers that are larger than the traditional supermarket and carry expanded service, bakery, seafood, and nonfood sections. Superstores vary in size but can be as large as 150,000 square feet. Generally they are no smaller than 20,000 square feet. Typical stores run 80,000 to 130,000 square feet and carry more than 60,000 products, compared to an average of 40,000 products for supermarkets. Typically included are bakeries, ready-to-cook meat and seafood entree sections, international foods, photo labs, floral shops, and a fun centre for kids to play in while their parents shop.

3.3.2.B. iii) Combination Stores

Because shoppers have been demanding more convenience in their shopping experiences, a new type of food retailer has been emerging, called a combination store, this type of retailer combines food items with nonfood items to create a one-stop shopping experience for the customer. In general, customers can find general merchandise along with food products and can take all these products to a common checkout area. Combination stores can be as large as 100,000 or more square feet.

3.3.2.B. iv) Super Centers and Hypermarkets

A super centre is a combination of a superstore and a discount store. Super centers developed based on the European hypermarket, an extremely large retailing facility that offers many types of products in addition to foods. In super centers, more than 40 percent of sales come from nonfood items. Super centers are the
fastest-growing retail category and encompass as much as 200,000 square feet of area. The key to a successful super centre is sales of food products at very low prices to stimulate customer traffic and sales of nonfood items with higher markups. The market area for super centers is much greater than that for the other food retailer classifications. This means customers are willing to drive longer distances to visit super centers than to visit any other type of food retail centre. The major disadvantage of super centers is that customers may not want to frequent them for small purchases. Because the centers are so large, it is often difficult to find the exact product one is looking for in a reasonable period of time.

3.3.2. B. v) Warehouse Clubs and Stores

Warehouse clubs and warehouse stores were developed to satisfy customers who want low prices every day and are willing to give up service needs. These retailers offer a limited assortment of goods and services, both food and general merchandise, to both end users and small to midsize businesses. The stores are very large and are located in the lower-rent areas of cities to keep their overhead costs low. Merchandising within the store is almost nonexistent, and pallets are used extensively. Steel shelving and concrete floors are common.

Generally, warehouse clubs offer varying types of merchandise because they purchase products those manufacturers have discounted for a variety of reasons. Warehouse clubs rely on fast-moving, high-turnover merchandise. One benefit of this arrangement is that the stores purchase the merchandise from the manufacturer and sell it prior to actual, having to pay the manufacturer.

3.3.2.B. vi) Convenience Stores

As the name suggests, convenience stores are located in areas that are easily accessible to customers. Convenience stores carry a very limited assortment of products and are housed in small facilities. Owners of convenience stores locate in neighbourhoods and try to intercept consumers between their homes and places of employment. Convenience stores employ is ‘fast shopping’: consumers can go into a convenience store, pick out what they want or need, and check out in a relatively short time. They don’t have to search for the products
they want, and they don't have to wait a long time in line to pay. Due to their high sales, convenience stores receive products almost daily because convenience stores don’t have the luxury of high-volume purchases, and because many of the products are impulse purchases, most products are priced relatively high.

3.3.2. B. vii) Limited-Line Stores
Limited-line stores are food discounters that offer a small selection of products at low prices. They are no-frills stores that sell products out of boxes. Limited-line stores rarely carry any refrigerated items and are often cash-and-carry, accepting no checks or credit cards. Limited-line store customers do their own bagging and frequently bring their own bags or purchase bags from the retailer. In a limited-line store, the strategy is to price products at least 20 percent below similar products at conventional supermarkets. Many of these stores focus on private labels, which eliminate the need for manufacturers to recoup the costs of advertising and sales promotions.

3.4 Methods of Customer Interaction
Retail units can be classified into two groups on the basis of the nature of interaction between retailers and customers, namely store retailers and non-store retailers. Retail transactions are carried out by face-to-face contact between retailers and customers in the case of retail stores. Whereas non-store retailers make sales to the customers in the absence of a retail store (direct selling), sometimes interactions between two entities take place in the absence of face-to-face interaction (Internet, TV, mail catalogue). Most of the non-store retailing media are well-known on account of the medium used by them to interact with their customers.

3.4. 1) Store Retailers
Store retailers operate from fixed point-of-sale locations to attract a high volume of walk-in customers. Retail stores have extensive displays of merchandise and use mass-media advertising to attract customers. They sell
products and services to the customers for personal or household consumption, but some retailers also serve business and institutional clients such as office supplies stores, computer and software stores, gasoline stations, banks branches, building material dealers, and electrical supplies stores. In addition to selling products, some store retailers also provide after-sales services, such as repair, alterations, and installation.

3.4. 2) Non-Store Retailers
Non-store retailers approach their customers and market merchandise with methods such as the broadcasting of infomercials on TV channels, the broadcasting and publishing of direct-response advertising (Internet), the publishing of traditional and electronic catalogues, door-to-door solicitation (direct selling), in-home demonstration, temporary displaying of merchandise (stalls in melas, trade fairs, periodic markets, etc.), and vending machines. The methods of transaction and delivery of merchandise vary across types of non-store retailers. For example, non-store retailers that reach their customers using information technologies can receive payment at the time of purchase or at the time of delivery, and the delivery of the merchandise may be done by the retailer or by a third party, such as the post office or a courier. In contrast, non-store retailers that reach their customers by door-to-door solicitation, in-home demonstration, temporary displaying of their offerings (stalls), and vending machines receive payment and deliver the merchandise to the customer at the time of the purchase.

3.4.3) Electronic Retailing
E-commerce is booming in the country with a newfound confidence in online shopping, and it is clear that consumers of all ages and backgrounds are now using the World Wide Web, says the Internet and Mobile Association of India. E-tailing is considered to be the fastest-growing sector of the retail industry. Internet retailing has grown from a mere US $350 million to US $3 billion in volumes in less than a decade. E-tailing is a mere 0.3% of the total retail business in India in 2000. Nowadays the Indian e-commerce market to touch Rs. 2,300 crores by 2006-07, up 95 percent from Rs. 1,180 crores in 2005-06. On eBay India, a Jewellery piece sells
every 5 minutes, a mobile handset every 8 minutes and a car every 9 hours\textsuperscript{11}. The number of Internet users in India is estimated at four million. These users are young, well-educated males with a monthly income of over Rs 15,000 and are concentrated in the top 10-20 class ‘A’ cities. Internet retailing had a positive impact on the economy of the nation in particular and the world at large. In India, it will be a mixture of e-tailing and retailing that will work. With time, companies are working hard on reaching out to their consumers with the help of Internet. It helps prospective customers to acquire information about the offers or retailers at minimal cost in terms of traveling time and cost involved. The capital and labour devoted to stores, salespersons, inventories, etc. are freed up for other productive applications in the economy.

Internet retailing appeals to marketers and retailers on account of the following factors:

(i) Internet retailers can avoid expensive capital investment on stores and in store fittings, sales persons, and inventory holding costs,

(ii) Internet retailers depend on IT integration from their store-front to order

\textbf{3.4. 4) Catalogue and Direct Mail Retailing}

It is a form of non-store retailing in which retail units communicate about their merchandise or service through a catalogue. This retail format is new to Indian retail industry and is at a very nascent stage of its development. In the West, catalogue retailing became popular among marketers and retailers to tap rural markets, which lacked access to the retail centre/stores. Later with the emergence of the double-income families with limited time at their disposal, catalogue retailing proved quite successful. Direct mail retailing is a non-store retail format in which retailers communicate with their customers using mails/letters or brochures. Retailers directly mail advertising material to their existing or potential customers with the objective of selling goods or services.

Catalogue retailing is classified into two, namely general merchandise-catalogue and Speciality-catalogue retailing. General merchandise catalogue offers a wide variety of merchandise that is periodically mailed to the customers
3.4. 5) Direct Selling
It is a retail format which involves personal contact between salesperson/retailer and customers at any convenient place, be it his home, office, or club. It also includes the phone interactions between retailers and customers.

3.4. 6) Television Shopping
It is a retail format in which existing and prospective customers watch a TV program demonstrating products and then placing order for the same by telephone, e-mail Internet. There are three types of television shopping, namely cable channels meant for shopping, infomercials, and direct-response advertising shown on TV. Infomercials are TV program that mix entertainment with product demonstrations and then interested customers place orders by telephone or e-mail. However, direct-response advertising includes, advertisements on TV that provide details about merchandise and an opportunity to order. The Indian TV retailing is estimated at Rs 50 crores, with an annual growth rate of 20%. The key players in the Indian market are Asian Sky Shop (ASK), TSN, TVC, TSNM, Telebrands (India), and Star Wamaco, the last one being an international player. ASK and TSN are Rs 20 crores companies each, with the balance Rs 10 crores being shared by other players in the market\textsuperscript{12}.

3.4. 7) Vending Machine Retailing
It is a form of non-store retailing in which products or services are placed in a machine and dispensed to customers when they deposit cash or use plastic money (credit or debit card). Vending machines are found everywhere; compared to store retailing, vending machines offer consumers greater convenience 24 hours a day, and have replaced many services formally requiring a human interface. Vending machines offer everything including; cigars, postcards, stamps, etc. The expensive equipment and labour required to stock and service vending machines makes this a costly channel of distribution, and prices of vended goods are often 15-20 % higher than those in retail stores.
3.5 Changing Scenario of Retail

Following are some of the current trends in the world of retailing and some of the major predictions for retailers and customers alike. It consists of two parts: (a) role of the internet in retailing and (b) branding through retailers.

3.5 a) Role of the Internet

The Internet has opened a new world of opportunities for retailers. It offers a way to grow an existing retail business and increase exposure in the marketplace. Retailers of any size can get even more successful through the Internet with an effective service and sale site. The Web also offers a way for retailers to fill the gaps of their brick and mortar stores by offering more service online for their existing customers. Considerable attention has been focused on the Internet and its commercial potential for retailers.

The Internet has been used in three main ways to facilitate retail marketing. Basically, it is a means of communicating information about the retail organisation, its products, and services. At the next level, it is used as a more proactive marketing tool, inviting consumers interactively to access the website to gain more product information to facilitate their buying decision-making process. At the same time it provides valuable consumer data to retailers to enable greater targeting. Retailers view the Internet as a communication tool for attracting new customers, penetrating new markets, promoting the company’s brand, and improving customer retention. The third level involves retailers actually selling products online through transactions with the consumers, providing an additional channel to an existing store or mail order operation.

Distinction between Retailing and Electronic Tailoring

E-tailing is a form of retailing utilizing the Internet, the World Wide Web (WWW), and other electronic forms of commerce to take the place of or supplement a physical retail location. E-tailing is a specialised form of e-commerce. E-commerce is the conduct of selling, buying, logistics, or other organisation
management activities via the Web. Examples of e-tailers both service and product, include ebay.com and Amazon.com. Although e-tailers conduct business in cyberspace, they require the same planning processes that brick-and-mortar retailers use.

In the early 1990s, when e-tailing gained wide acceptance, all one needed to be successful, in theory, was an idea. E-tailing promised the potential for high sales with reduced capital expenditures. Early e-tailers believed millions of computer users would surf the web to find great deals on cars, electronics, books, toys, and thousands of different products. E-tailers saw the potential for linking millions of dollars, but gave little thought to the requirements of a successful business venture. Consequently, many e-tail businesses were started with insufficient marketing and retailing expertise. Marketing plans were put together to secure funding for the businesses, but many of those plans didn’t work. Early e-tailers failed because of poor business execution. One key to successful e-tailing is to achieve high gross margins for products. Simply stated, a gross margin is the revenue remaining from the sales of products after-subtracting production costs.

3.5 b) Branding through Retailers

Organized retailers are widely selling their own store brands which are known as ‘Private Labels’ to earn higher profit margin. A common sight in many retail stores is the presence of the retailer’s own brand often sharing shelf space with major national brands. There is a strong competition for manufacturer brands by these private labels. Private labels may be different than manufacturers brand in terms of price, quality as well as promotional offers. Private labels are brands owned by large retailers that can be sold at lower prices without harming profit margins because they do not entail large marketing and advertising costs. Private labels owned by the retailers themselves, which are also known as store brands or own labels. Most large retailers in India such as Pantaloon Retail (India) Ltd, Aditya Birla Retail Ltd, Spencer’s Retail Ltd and Reliance Retail Ltd. are pushing private labels to capture a larger share of consumer spending in their stores.
3.6 Retail Mix

The important elements in the retail mix include:

- Store design and display.
- Customer service.
- Communication mix elements.
- Pricing method or strategy.
- Merchandise planning and assortments.
- Location.

The above are the key retail mix elements which can be used by retailers to attract and maintain a significant customer base.

3.7 Strategic Retail Planning Process

The strategic retail planning process involves a set of steps the retailer goes through while developing a strategic retail plan. It explains how retailers select target market segments, determine the appropriate retail format and then build up sustainable competitive advantages in the form of steps:

**Step 1: Define the Business Mission**

The first step in the strategic retail planning process is to define the business mission. The mission statement is usually a broad description of a retailer’s objectives and the scope of activities it plans to undertake. It will indicate the general nature of the target segment and the retailer formats which the company will consider.

**Step 2: Conduct a Situation Audit**

Once the mission statement and objectives are set, the next step in the strategic planning process is to have a situation audit. Situation audit means do an analysis of the opportunities and threats in the retail environment as well as the strengths and weaknesses of the retail business relative to its competitors.

While trying to analyse the opportunities and threats in the retail environment, the retailers may have to consider the market forces, competitive forces and the environmental forces. The market forces which could affect the consumers and their
buying pattern include - market size and growth, sales cyclically and seasonality. Market size (large, growing, mature markets etc.) will be an indicator of whether the retailer will be able to generate revenues to cover his investments. The competitive factors affecting retail markets include barriers to entry (due to scale economies, customer loyalty and availability of locations), bargaining power of vendors and level of competitive rivalry. The environmental factors affecting the retail market includes the technological, economic, regulatory and social changes which can affect the market’s attractiveness.

While performing the situation audit, the retailer will have to do a self analysis in terms of - management capability, financial resources, operative strengths, merchandise capabilities, store management capabilities, location strength, loyal customers etc. in order to determine the potential areas for developing competitive advantage.

**Step 3: Identify Strategic Opportunities**

After doing the situation audit, the retailer will have to identify strategic opportunities for increasing retail sales. These could include growth strategies for the retailer such as, market penetration, market expansion, diversification strategy etc.

**Step 4: Evaluate Strategic Opportunities**

Once the situation audit is done, the next step involves making an evaluation of the opportunities in order to determine the retailers’ potential to build up a sustainable competitive advantage and reap long term benefits. Typically, evaluating strategic opportunities call for looking into market attractiveness and the strengths and weaknesses of the retailer. Such an evaluation will enable the retailer to make proper investments looking to the market opportunities and then build up a strong competitive position.

**Step 5: Establish Specific Objectives and Allocate Resources**

The retailer’s overall objective is included in the mission statement. The specific objectives are goals against which progress towards achieving the overall objective can be measured. The specific objectives include three components:
• The performance sought in terms of a numerical index against which progress can be measured.
• The time period within which goal is to be achieved.
• The level of investment required to achieve the objective.

The performance will be measured by looking into the return on investment, sales or profits.

**Step 6: Develop a Retail Mix to Implement Strategy**

The sixth step in the strategic retail process involves developing a retail mix for the strategic opportunity in which investment will be made and to control and evaluate the performance. The retail mix will include planning merchandise assortments, buying systems and merchandise, planning the retail communication mix and customer service, store management, visual design and merchandising etc.

**Step 7: Evaluate Performance and Make Adjustments**

The final step in the planning process relates to evaluating the results of the strategy and implementation program. Evaluating the strategy and implementation program will reveal whether the retailer is meeting or not the objectives set. If the objectives are being met, changes are not required. But if the retailer fails to meet the objectives, a reanalysis is done to review the implementation programs and if necessary a new situation audit is worked out.

**3.8 Retail Market Strategy**

Today, the emergence of new retailing formats, advancements in the field of technology and increase in consumer awareness and needs is making retail competition more intense and also forcing retailers to devote more attention towards working out the long-term retail market strategy. The retail market strategy will provide an insight to retailers on how to deal with the market environment, customers and competition. The retail structure is a mix of both organised and informal retailing. It becomes more challenging for the organised sector to stand out and woo customers through unique product offerings. Through a strategic approach, the retailer works at positioning his product/service offerings in the market with its unique image, price and quality features.
Retail market can be defined in terms of a group of consumers with similar needs, say a particular market segment and a group of retailers using a similar retail format to satisfy those consumer needs. The consumer segments can be worked out in terms of the customers geographic location (region wise), demographics (age, income etc.), lifestyle, buying situation [daily use (grocery/vegetables)], specific occasion (wedding/ special occasion) etc., benefits sought and so on. Depending upon the specific retail market, retailers work out different retail market strategy.

The retail market strategy is a statement worked out to identify:

(a) Retailer’s target market

(b) Specific format planned to be used by the retailer to satisfy the target market’s needs

(c) Work out the bases upon which to build up sustainable competitive advantage.

The target market refers to the specific market segments whose needs are to be focused upon, use their resources and plan the retail mix accordingly. A retail format refers to the retailers’ mix in terms of the nature of merchandise and services offered, pricing policy, advertising and promotion plans, approach to design of the store and visual merchandising, location of the store etc. Sustainable competitive advantage refers to the retailers’ attempt at building up and maintaining advantage over competition for a long period of time. The retail strategies adopted by different types of retailers involving selective target market segment, retail format all to gain a substantial competitive advantage.

3.9 Competitive Advantage

Retailers decide on the retail format after selecting the particular target market. However, the challenge will be in building a sustainable competitive advantage. Many of the measures adopted by the retailer could be duplicated. So he has to adopt an approach by which not only are customers attracted to the outlet but also build a competitive advantage which will last over a long period of time and be difficult to be replicated by other competitors.
3.9.1 Approaches to gain competitive advantage

There are some approaches which can be adopted by the retailers to gain sustainable competitive advantage. These are briefly explained below:

3.9.1.1 Focus on Customer Loyalty

Some of the common bases for attracting customers are having dedicated employees, variety, unique merchandise and superior customer service. But the challenge for the retailer is to have a loyal database of customers, who will be unwilling to switch their loyalty. The strategies are built after (1) developing a clear and specific positioning strategies and (2) making customers develop an emotional attachment with the retailer’s product offering.

3.9.1.2 Positioning of the Retail Outlet

Positioning refers to the design and implementation of a retail mix used to create an image of the retailer in the mind of the customer when compared to the competitors. The retailer must work at building an image which will be consistent to what the target customers want and expect from them.

3.9.1.3 Location

Location of the outlet definitely plays a very important role in consumer selection of the store. At times being ideally located can help the retailer to build up competitive advantage.

3.9.1.4 Develop People Edge or Good Human Resource Management (HRM)

Retailing is a labour intensive industry with employees at the retail outlet playing a big role in providing services to customers and also building customer loyalty. In fact, a store manager plays a pivotal role since he (or she) is the closest to the customers. He provides the link, capable of helping the organisation to respond to the changing needs of the customers’ and competitors’ moves. The retailers must constantly work at exposing the employees to training programs in order to enhance their knowledge and skills. Retail industry being service oriented needs to have good employees who can be retained for a long time by providing appropriate incentives.
3.9.1.5 Efficient Supply Chain Management
Retailers always like to have an efficient supply chain management to ensure that their customers are able to obtain the merchandise required in the desired quantity, at the right time and at the lower cost when compared to competitors. Supply Chain Management (SCM) is a strategic process designed to ensure products or merchandise are distributed to the right places, in the required quantities and at the best total system cost. An effective SCM encompasses—materials, information and finance. Besides ensuring consumers get what they want, SCM lets retailers focus on meeting consumer needs at the most affordable prices.

An effective, integrated supply chain management system can reduce inventory levels, lower labour costs, increase storage capacity, increase customer service and choice for customers, increase inventory throughout capacity and make better use of space in stores and warehouses. Retailers, from years have been using tools such as bar coding and Stock-Keeping Units (SKUs) and build up an efficient supply chain management to support the capacity, technology, infrastructure, IT support systems and human resources.

3.9.1.6 Develop Unique (Private Label Brands) Merchandise
For retailers, it is difficult to gain much competitive advantage through merchandise because competitors can also purchase and sell the same popular brands. Hence many organised retailers have taken to developing private labels - which help eliminate small and local competitors. It offers an opportunity for retailers to compete on price against other branded products and makes a significant contribution to profitability when measured in terms of return of sales. Thus, through private labels or in-house brands retailers are able to offer customers variety, quality and affordable prices - all of which can lead to increase in profit margins.

In India major retailers who have adopted the private label model include - Westside, Globus, Shoppers’ Stop, Pantaloons India. These retailers have realised that customers today are more product conscious rather than being only brand conscious. Moreover, they are looking for quality product at an affordable price. This gives private labels an opportunity to offer customers good quality products which are
competitively priced. Further, the store's image builds a certain level of confidence and trust within the customer which can lead to an increase in customer base.

3.9.1.7 Vendor Management

When retailers have good relations with vendors it helps:

• To procure merchandise to be sold in a particular region.

• To enter into some special terms of purchase with vendors due to strong relations with them.

• To receive fast moving merchandise even with short notice or receive those merchandise, which are in short supply.

Good relations with vendors are built over a period of time and are always beneficial for the retailer. Today while operating in a competitive environment, timely deliveries and-quality of merchandise are major concerns. They need to go for backward integration i.e., manage and plan production so as to work out a sustainable model with higher quality compliance and lower mind-to-market time. Now, retailers are making use of Retail Managed Production Planning (RMPP) system, which offers a sustainable solution for partnering with the vendors in order to achieve the long-term objectives of better quality and lower lead times.

3.9.1.8 Customer Service

On the one hand, retailing in India is still in its nascent stage and they are trying to offer merchandise to satisfy the rising aspirations of the lifestyles of the Indian households. On the other hand there also exists the local and unorganized retailing format in India, who is finding it difficult to match the growing demand of the same higher middle class with high disposable income. Nevertheless, all types of retailers have realised that good customers can be attracted only be offering good customer service. The customer services offered by some well-known retailers like Reliance Infocomm, Bharat Sanchar Nigam Ltd (BSNL), Food World etc. include drop boxes for cheques and credit cards, proximity, good ambience, new and certified products and so on. There are retailers like Food Bazaar, Food World, Kemp (Bangalore) etc. offering candy or popcorn vending machines, food courts, good seating arrangement where customers can relax and shop at leisure. The layout of the stores and mall are made consumer friendly to ensure that consumers are able to shop with comfort and purchase fresh and quality products.
3.9.1.9 Build Multiple Sources of Advantage

Retailers make use of a combination of approaches or parameters to build up sustainable advantage. Generally a mix of various factors such as good products and services, attentive sales personnel, physical store appeal, good vendor management, suitable locations and so on can result in a successful retail venture. For, a satisfied customer is likely to visit the store more often and also recommend it to others. The net result will be a healthy bottom-line in which both customers and the retailer benefit mutually.

Organised retailer, Shoppers Stop when it opened shop in Mumbai apart from focusing on variety of (fashion) designer wear, at affordable prices, good vendor management (prefers outright purchase leveraging on the designers’ confidence) and ideal location also has a First Citizen’s club for frequent shoppers (loyal customers). Every time a First Citizen’s club member makes a purchase, he notches up a number of redeemable points. The first citizen also enjoys other benefits such as free parking; a member only queue for at the cash counter and a few hours of exclusive shopping for club members at festival time. Such programs are mutually beneficial for both - customers and retailers. This is because profitable customer service provides added value, tangibly and intangibly to the customers and also enables the company to make profit at the same time.

3.10 Implementing the retail strategy

3.10.1 Organizing structure and Training

The first decision by retailer is to clearly define the structure of the organisation that would facilitate implementation of all the tasks. This will involve exactly pinpointing who is responsible for each job and to whom each individual would report to. The structure of small independent retailers is simple, even though they perform almost the same functions as the large chain store retailers. Since a small store has few employees, there is little scope for specialization and most staff needs to be multi-skilled in which each employee may have to perform several functions. However as the store expands, there is more opportunity for specialization and departmentalization.
After having begun the process of selecting the team, the new recruits would have to be thoroughly trained as retail trained staff may not be available in the country. All staff members must compulsorily go through a well-designed training and induction program spanning at least a couple of days, if not more, depending on their seniority. This would enable all new staff members to adjust to the situation so that they are able to function smoothly.

3.10.2 Financial Resources

The slated project would require a regular flow of funds as per the periodical budgets. All avenues must be tapped for resource mobilization so that finances are made available to the company well in time. The company must make a department-wise budget for each and every aspect that should be further disbursed according to the schedules. An honest and competent finance team is crucial for the organisation as it would not only ensure the timely release of funds but also keep strict control on its proper usage.

3.10.3 Store Location

Location being a critical factor in the customer’s selection of a store, a good location gives the retailer a tremendous and sustainable advantage over his competition. While deciding on this most crucial aspect which could determine the success or failure of the project, each of the following points must be considered at length. It has often been observed throughout the world, that even if a company may have done all other things correctly, a poor choice of location for its store would means disastrous results. It is no wonder then that even some of the most successful international retailers are continuously re-locating their stores in a bid to rectify their choice of poor location or to attract new customers in a different location. Following factors need to be considered while deciding on the location for a particular project:

Type of Region

- Overall size of region/market/trade area;
- Size of target market in the region/trade area;
• Understanding of the geographic area;
• Population growth;
• Income distribution/stability;
• Size and composition of households;
• Employment level and stability; and
• Competition level.

3.10.4 Retail Infrastructure

In accordance with the marketing philosophy, the store format and the site ultimately selected the retailer then needs to organize all the equipment required for the operation of the store. For example a supermarket may need to organize a cold room and some freezers, shelving racks, etc while a department store may have to organize various kinds of shelving racks for the huge variety of merchandise that it deals in. If the company has decided not to take a franchisee and to go it on its own, it must make the selection of suitable retailing software as its topmost priority. While the store is being renovated, the company must not only select the most appropriate software but also ensure that all its concerned staff members accustom themselves with the package. The business of retailing is far more complex than meets the eye and new entrants in the business would do well to lay great emphasis on this most crucial aspect right from the outset.

3.10.5 Product Mix and Vendors

The next step in implementing the retail strategy is the finalisation of the crucial product mix. Here it is important for the retailer to be as close to his target clientele as possible so as to stock exactly what his customers need. It is recommended that a new retailer must not try to change the habits or brands of the customers too early in the day. The best way to make the correct choice of brands would be to make a detailed competition analysis and a study of the items stocked by a majority of the existing retailers of the neighbourhood who may have been catering to the same clientele for years or even decades.
For example, a combination of traditional dry groceries and higher margin categories like fresh food, bakery, meat, fish and vegetables, may be an ideal product mix for a no-frills neighbourhood supermarket. Merchandise such as gifts and stationery and of course, one’s own label will prove to be an added profit. A combination of this lets such discounters create loss leaders in traffic builders while the margins could come from some of the high-profit items. After the final product mix has been decided by the retailer, the merchandising department of the company would have to get deeply involved in the task of identifying very reliable vendors for each of the items and then settle the best possible terms and rates thereof. It is universally believed that the retail industry is as much a vendor relation industry as it is a customer relation industry. For the success of any store it is essential for the retailer to have extremely good relations with his vendors.

Retailers gain immensely by developing strong relations with vendors. For example they may be successful in obtaining the following exclusive rights:

- To sell merchandise in a region
- To buy merchandise at lower prices or with better terms than competitors who lack such relations
- To receive merchandise in short supply. A good relationship with vendors also ensures that retailers will always have the most popular products in stock.

3.10.6 Store Layout

The layout of the store is not as simple as it seems but requires an in-depth knowledge of retailing. All products must be displayed in a logical sequence so that the customers can identify and compare them with ease. A supermarket would typically start with the most attractive item, a fresh produce department and then move into a product-wise sequence of packed food and maybe even frozen products. It would also ensure that other essential products like detergents are not allowed to be kept close to food items to prevent the detergent smell from polluting the food products. Similarly a department store would, in all probability, prefer to have the most attractive cosmetic departments near its entrance. This not
only gives the store an appealing look but also imparts and attractive fragrance that could go a long way in motivating customers to spend a longer time in the store which would hopefully materialize into some concrete purchases.

3.10.7 Communication Strategy

The final part of the retail strategy involves implementation of the communication strategy of the company. The company must be able to communicate to its target clientele very clearly its prime USPs over its competitors and what it wishes to offer. If a retailer wishes to operate a discount store format, he must effectively communicate his lower prices to his target clientele, while if a department store operator has larger variety and greater choice. The pricing policy of the company as well as the depth and the breadth of the product mix must be decided prior to this.

3.11 Manufactured Brands

Manufactured brands are products that are designed and marketed by the manufacturer himself or through his authorized distributors. The manufacturer’s prime responsibility is to develop the product and establish an image for the brand. In some cases, the manufacturers use their own brand name for the name of the product, while others prefer to treat a product as a separate brand altogether. For example, Kellogg’s corn flakes use its own name for its products, whereas Procter and Gamble does not use its name for any of its products.

3.12 Private Labels

Private label is the term used to signify the brands which are developed by the retailer himself. The process of developing such products is known as ‘backward integration’. In other words, when a retailer expands his operations into backward integration for some products, wherein he also develops the products that he sells from his stores, the end-products are called private label items. Such items may or may not be developed within a unit or subsidiary of the same retail company. For example, a retailer may also decide to outsource the production, development and/or packaging for his private label items to extremely reliable
third parties. Many retailers around the world prefer this option. Typically, retailers develop specifications for the merchandise and then contract the production of the same to vendors with prior experience of manufacturing the same products.

Private label items are usually sold exclusively at the retailer’s outlets only. Deciding which products must be developed under the private label is a crucial decision for every retailer though it is important to generate large volumes of the product to be able to justify the private label. Even the strategies adopted for allotting the brand name to private label items are quite diverse throughout the world. While some retailers prefer to retain the same name as that of their stores, others prefer to use a separate name altogether. Such decisions involve intense thought on the part of the retailer as each strategy has its own advantages and limitations.

It is rather intriguing that while some retailers aggressively adopt private labels, others running operations of a similar magnitude prefer to remain rather passive in this regard. Although even independent retailers have managed to create a few fast moving private label items, it is a fact that unless large volumes are assured from a chain of stores, a retailer may not be able to develop many private label products. Offering private labels provides a number of benefits to the retailers. Given below are some of the advantages and limitations of developing private label brands.

3.12.1 Advantages of Private Labels

3.12.1.1 Greater Profits

Since private label items are the retail company’s own products, selling them helps save almost entirely the profits of most of the intermediaries, i.e. the manufacturer as well as the distributors, which are usually quite substantial. Apart from this, the retailer is also free to decide his own pricing policy and hence enjoys much greater flexibility in marketing the products.
3.12.1.2 Exclusivity
A private label brand offered by a retailer will not be available anywhere except at the retailer's outlets only. Hence once a consumer buys and appreciates the item, he/ she is bound to come back to the same retailer for more and could also be motivated to buy many more items during each visit to the store.

3.12.1.3 Greater Goodwill
If a retailer is able to build considerable brand loyalty for his private label products, the customers are also likely to develop a fascination for and faith in the store’s brand and would most likely always prefer to shop at his store.

3.121.1.4 Less Dependency
After developing a good quality private label, it is obvious that the retailer would try extremely hard to ensure that such products account for a substantial share of their respective total sales within the company. Once this is achieved, it is apparent that the retail company would have a much lesser dependence on other brands in the product lines especially where they are themselves fairly successful.

3.12.1.5 Better Quality Control
Overseeing the manufacture of private label products and ensuring the maintenance of high standards of quality can be a very difficult task. However a properly trained team from the company will always have a better control on product quality, unlike in the case of items on which a retailer has absolutely no control.

3.12.1.6 Better Apportionment of Advertising Costs
Advertising plays an extremely important role in the successful marketing of any product. Similarly a retailer needs to spend an enormous amount of money to market private label items to the target clientele. However when the brand name of the private label products is the same as that of the retailer, then each stands to benefit from the advertisements of the other, and the expenses thereof are also better apportioned.
3.12.1.7 Own Promotion Policies

Finally, since private label products are the retailers’ very own products, there is no restriction on the display and promotion of such products by the retailer as in products of other manufacturers. Hence these products get much better visibility and thus generate better sales.

3.12.2 Limitations of Private Labels

3.12.2.1 Too Much at Stake

It is not always easy for retailers to develop private label brands and sell them successfully. Initially the retailer must take great pains and spend huge resources for creating awareness about his own brand. The package has to be designed and the brand image to be built very carefully because the retailer’s own name is at stake. If in spite of all the retailer’s efforts, the brand fails to take off or is not of good quality, it could have an adverse impact on the retailer’s own reputation.

3.12.2.2 Increased Complexity of Operation

Creating private label brands, as mentioned earlier, entails the retailer’s involvement in the development and production of the products and hence the technical aspects of his business as well. Consequently, the complexities of the operation and the company’s responsibility increase dramatically.

3.12.2.3 High Volumes Required

While many distinct advantages are associated with private label products, they also simultaneously entail tremendous responsibilities on the part of the retailer. Unless the sales volumes justify the efforts that actually go into the final development, production and packaging of the products, the experience of private label products can be quite ineffective and, in fact, negative as well. Since private label products involve high quality packaging, it must also be kept in mind that no cost-effective packaging solution of any repute would be possible unless sufficient volumes are ordered.

3.12.2.4 No Replacements

Sales personnel may need additional training for persuading customers to buy the private label brands but once the sale has been made, it is equally important to
deal with any rejections. While in the case of a manufacturer’s brand the vendor is usually responsible for all replacements, in private labels the entire responsibility of providing replacements lies with the retailer. If the product does not sell, it cannot be returned and even any dead stock ultimately remains with the retailer.

3.13 Unorganized Retailing

The concept of retail is very old for India. Before anybody knew about what retail is, in India we had grocery stores, medical stores and lot many other stores working surprisingly in the country. As per current situation there are more than 12 million outlets working in very small area and Indian consumers are habitual to purchase from nearby small retail shop of which 80% are family run\textsuperscript{13}. This is the reason that India is known as the nation of shopkeepers. Retail sector is expanding and modernizing rapidly in line with India’s economic growth. It is offering huge employment opportunities, but only in urban area.

The traditional retailing business in India is dominated by family - run neighbourhood shops. According to the Economic Census carried out by the CSO in 1998, the country had a total of 10.69 million enterprises engaged in retail trade\textsuperscript{14}. Indian Retail is dominated by a large number of small retailers consisting of local grocery shops, general stores, medical shops, footwear shops, apparel shops, stationary shops etc. In addition to these hand cart hawkers and pavement vendors are also contributing to unorganized retail.

As traditional retailers are operating in area less than 500 square feet, it does not offer any attractive shopping atmosphere. Indian Retail is dominated by large number of small retailers consisting of the local Kirana shop, owner-manned general stores, chemists footwear shops, apparel shops, paan shops, hand-cart hawkers, pavement vendors, etc. which together make up the so-called ‘unorganized retail’ or traditional retail. Unorganized retailers in the vicinity of organized retailers experienced a decline in sales and profit in the initial years of the entry of organized retailers. The adverse impact, however, weakens over time. Proximity
is a major comparative advantage of unorganized outlets. Unorganized retailers have significant competitive strengths that include consumer goodwill, credit sales and amenability to bargaining, ability to sell loose items, convenient timings, and home delivery.

It is feared that organized retailing will eliminate the traditional retailers. But they would continue to exist and will not be seriously affected because organized retailing is developing its own distinctive market. New market equilibrium will be achieved where both organized and unorganized retailers will be able to thrive. The market size is too expanding giving enough scope for all. Besides giving long term relationships, small stores give additionally goods on credit and home delivery. They are reaching to their price sensitive customers with attractive deals. Corner store has become smart and giving value added services. There is competitive response from traditional retailers who are gearing up to meet the threat from organized retailers.

The size of opportunity is very large and neither the foreign nor the domestic are the threat to unorganized stores. They have their own USP in terms of convenience due to their proximity, personalized service and deep understanding of their customer’s behaviour and lifestyle. Those who adapt and improve will survive and grow. Small retailers can also form co-operatives or associations to avail advantage of bulk purchase which facilitates fewer prices. They can directly procure from suppliers or farmers. With some changes in policies and practices, traditional retailing can overcome adverse impact on modern retailing.
References: