APPENDIX I

CLASSIFICATION OF RETAILERS

1.4.1 ON THE BASIS OF OWNERSHIP

1.4.1.1 Independent Retailers

Independent retailers are those who own one retail unit. In every economy of the world, these retailers enjoy a majority share of the whole retail market. These retail formats are able to serve a limited market only and are generally run by the investor or the family members of the investor. This format of retailing is most popular because of easy entry norms and non-requirement of licensing. However, the adverse side of this format is that intense competition is attracted due to lenient entry norms.

1.4.1.2 Chain Format of Retailing

Under chain retail format, the retailer operates multiple stores under a single common ownership. This type of retailing has some sort of centralised decision making. Where in developed country like U.S.A., such retail format is well established, in developing country like India, this format is also gaining grounds day by day such as Reliance Retail Stores or Raymond and Bata Shoe Stores. Further, due to strong back-end supply chain, these retail formats are expected to further grow in India.

1.4.1.3 Franchising

Franchising involves an agreement between the manufacturer/service providers, called as franchisor, with another person known as franchisee to use the well established name of the franchisor to do business. Under such agreement, the franchisee has to pay an initial fee to franchisor and a fixed percentage of his monthly sales. Common examples of such form of retailing are the auto dealers such as Honda and Maruti outlets, fast food plazas such as Burger King, Kentucky fried chicken etc., computer centres such as Aptech and NIIT etc.
1.4.1.4 Leased Departments

A section of retail business managed and operated by an outside person or organisation rather than by the store, whether conducted by an individual or a chain. This term has also been defined as a system, where a business has given a right to another retailer to sell specialised products and services in a small space within a department store, office building or hotel.

1.4.1.5 Vertical Marketing System

A Vertical Marketing System (VMS) is one in which the main members of distribution channel i.e. producer, wholesaler and retailer work together as a unified group in order to meet consumer needs. In conventional marketing system, producers, wholesalers, and retailers are separate businesses. These independent units always try to maximise their own profits which leads to conflict between these groups. The business houses are adopting VMS to help each other in earning profits as well as providing better services to the customers.

1.4.1.6 Consumer Cooperatives

A consumer cooperative is a business owned by the customers for their mutual benefits. These customers/consumers are often those people who had provided capital for the purchase of the enterprise. The governance of such cooperatives is done by the management appointed by the members though their votes. As this type of organisation is consumer-owned, the role of government is least required.

1.4.2 STORE BASED RETAILING

1.4.2.1 Food Oriented Retailers

1.4.2.1.a) Convenience Stores

Convenience stores are the small stores or shops located along the busy roads or at petrol stations. The concept has been defined as a store selling a limited variety of food and

pharmaceutical items and which opens for longer hours for the convenience of the customers⁵. It has also been defined as ‘a small store, often franchised, offering a limited variety of food and household products and staying open for longer hours at a convenient location’⁶.

1.4.2.1.b) Conventional Supermarket

A conventional supermarket is a departmentalized food store with a wide range of food and related products. These types of stores have low profit margins therefore these generally rely on high inventory turnovers. These stores face immense competition from other formats of retailing.

1.4.2.1c) Food-Based Superstores

A food-based supermarket is larger and more diversified than a conventional supermarket but usually smaller than a combination store. The format of food-based superstores originated in 1970’s. These superstores are more efficient, offer a degree of one-stop shopping, stimulate impulse shopping and contain high-profit general merchandise. Apart from these, such superstores can be easily and cheaply converted into food superstores. Furthermore, the management expertise gets more focused in such superstores.

1.4.2.1.d) Combination Stores

These stores generally have supermarkets and general merchandise as two different departments managed by one management only. Therefore, these are called combination stores. The floor area of such stores ranges from 30,000 to 1,00,000 square feet. This leads to increase in efficiency as well as decrease in operating costs. Due to one stop shopping facility, these stores offer more benefits to customers.

1.4.2.1.e) Box Store

The concept of Box stores originated in Europe in mid 1970’s but U.S.A. became the first country to adopt this concept. The box stores are food-based discounters which focus on small selection of items. These stores operate for moderate hours and provide limited

services and limited branded products. These type of stores generally rely on local branded products and the prices in such stores are 20 to 30 per cent below supermarkets.

1.4.2.1.f) Warehouse stores

A warehouse is a food based discount store where moderate numbers of products (usually popular brands) are offered for sale. The products are shipped directly to the store and customers pack their purchases themselves under one-stop shopping facility. The availability of the products largely depends upon the deal between the warehouse and the suppliers. But, many times the branded products remain out of stock.

1.4.2.2 General Merchandise Retailers

1.4.2.2 a) Specialty Store

A specialty store concentrates in selling goods or services in one category only. These stores usually carry a narrow but deep assortment of the products dealing into. These department store expertises in one line only and offer better option to the customers. Along with this, the investment requirements and competition remains in control with such stores. The consumers also like to shop through these stores as they get more variety with better customer services. Also the knowledgeable staff with less crowded and comfortable atmosphere adds value to customers.

1.4.2.2 b) Variety Stores

A variety store generally carries inexpensive and fixed prices products and services. These stores generally deal in products like apparel and accessories, costume jewellery, candy and toys of same price range. These stores display products on open shelves and employ very few salespersons. Rather than carrying full product lines they deal only in few selected products. Moreover, these stores also generate speciality in management and better customer services.

1.4.2.2 c) Traditional Departmental Store

Traditional departmental stores carry products ranging from medium to best quality. With the variety of the product, the price also varies. These department stores generally
provide whole product line of the category in which they deal. The stores also provide salesman services, credit and delivery facilities to its customers. The practices like computerised checkouts, money-back guarantees, and decentralised management etc were first innovated by these stores only. in the present times, price-conscious consumers are more attracted to discounters than traditional departmental stores.

1.4.2.2 d) Full Line Discounts Stores

A full line discount store is that store which is involved in high-volume sale of the products at low costs. These stores also emphasise on self service criteria and provide centralised check out facilities. These stores generally deal in the products which do not get affected by change in fashion. These stores focus on middle and lower-middle class families. Where well known branded products are provided in such stores, durable items, local brands are preferred for non-durable products. This format of retailing also provided help to the customers in getting maximum products at one point only.

1.4.2.2 e) Off-Price chain

An off-price chain store deals in the branded apparels and accessories, footwear, fabrics, cosmetics and other housewares. These stores sell these products at the day’s minimum price to the customers. These stores also provide centralised check outs, community dressing rooms and no extra charges for any sort of alterations. The functioning of these types of stores is based on long-term relationship with the suppliers. These stores usually aim at the customers of traditional department stores by offering products at 40 to 50 per cent discount. Apart from competition from other formats of retailing, discontinuity in the supplies also poses a threat to such off-price chains.

1.4.2.2 f) Factory Outlets

A factory outlet is a manufacturer-owned store selling products which are irregular, in stock due to cancellation of the orders and sometimes in-season first quality products too. These outlets have proved to be profitable for the manufacturers due to various reasons. First reason being the ability of the manufacturers to sell their own products to the customers directly. Secondly, these outlets still prove to be profitable for the manufacturers
even though their prices are far less than market prices. Thirdly, it provides them an opportunity to find best methods of promoting their products and lastly, it helps the manufacturer to fight competition with the local brands. The customers also get benefitted from such outlets as they get the quality products by paying lesser than the market price.

1.4.2.2 g) Membership Clubs

Membership clubs is that format of retailing under which the customers pay membership fees to buy the products at concessional prices. This retailing format is midway of wholesaling and retailing. These clubs offer products at wholesale prices to only those customers who have paid membership fee. These clubs deal in general merchandise such as consumer electronics, appliances, computers, and sundries such as cosmetics, healthcare, tobacco, liquor and candy etc. Where the customers get benefit in terms of low priced products, the retailer is benefitted from bulk sales he makes.

1.4.2.2 h) Flea Market

A flea market is a place where vendors come to sell or trade their goods. The goods are usually inexpensive and range in quality depending on several factors, such as urban or rural location, part of the country, or popularity or size of the flea market. The vast majority of flea markets in rural areas sell goods that are second-hand. Larger selections of newer but usually inexpensive items can be found at some of the larger or more urban flea markets. The semi-spontaneous nature and vendor-oriented open-market layouts of flea markets usually differentiate them from thrift stores. Some flea markets offer concerts and carnival-type events to attract shoppers. the original flea market is likely to be the Marché aux puces of Saint-Ouen, Seine-Saint-Denis, in the northern suburbs of Paris. It is one of the largest and oldest established outdoor bazaars in Paris.

1.4.3 NON STORE BASED RETAILING

1.4.3.1 Direct Marketing

In Direct marketing (first used in 1961 by Lester Wunderman, the pioneer of direct marketing techniques with brands such as American Express and Columbia Records),
customers are exposed to a good or a service through a non-personal medium like direct mail, TV, radio, magazine or computer etc followed by their orders collected by mail, fax, telephone or computer. The two main definitional characteristics of direct marketing are that firstly, it attempts to send its messages directly to consumers and secondly, it focuses on driving purchases attributed to a specific ‘call-to-action.’

1.4.3.2 Direct Selling

Direct selling is a technique of retailing under which the customers are contacted personally or through telephones. Products like cosmetics, jewellery, household goods and services, vacuum cleaners, magazines and newspapers etc. are generally sold through this mode of retailing. This technique of retailing is very much effective as a personal touch gets involved in it and the demonstration of the product can also be made. Consumers also find it convenient to buy products at their places. Moreover, this mode of retailing is more beneficial for older consumers and children who cannot easily move from one place to another in the stores. Even though the growth of this mode of retailing is quite slow yet it is one of the dominant mode of retailing at present.

1.4.3.3 Vending Machines

A vending machine (first one being invented by Hero of Alexandria) is a machine that provides various products on pressing of one button only. The products offered by vending machines can vary from country to country and culture to culture. As in some western countries these machines are used for the distribution of snacks, beverages and other products to consumers (even newspapers also). Such machines are beneficial for both the retailers as well as consumers as retailers have to invest just in the machines (not in cashiers) and consumers manage to save their time. The only visible deficiencies of these machines are power failure or out of stock conditions.

1.4.3.4 Online retailing

Technological advancements all over the globe have paved the way towards all trades and services. Each sector and every process in the present times has been made

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8 http://www.w3.org/TR/xhtml1/DTD/xhtml1-transitional.dtd’> accessed on 16 October, 2007
9 http://www.w3.org/TR/xhtml1/DTD/xhtml1-transitional.dtd’> accessed on 16 October, 2007
automated. Hence, need of workforce and physical environment have been reduced to minimum. Retailing is also evidencing the change in its format due to technology. As the consumers are left with less time because of their busy schedules, retailers have tried to facilitate them by contacting them on their computers. World Wide Web is that technique under which the people sitting at distant location can contact each other with the help of specific domain names. The retailers have started using this technique of selling their products to customers all over the world. This technique of retailing has been proved to be beneficial for both the retailers as well as customers. Where the retailers do not require any physical place or employees to reach customers, customers can shop the products while sitting at home only. certain issues like payment and personal information security and delay in the order delivery still act as hurdles in the success of this mode of retailing and hence required to be taken care of.

1.5 PREVALENT FORMS OF RETAILING IN INDIA

1.5.1 Malls

A shopping mall or shopping center is a building or set of buildings that contain a variety of retail shops, with interconnecting walkways enabling visitors to easily walk from shop to shop.

Where the term shopping centre is used in Europe and Australasia, shopping mall is used in North America and to a large extent in Asia (Pacione, 2005). In North America, the term shopping mall is usually applied to enclosed retail structures (and may be abbreviated to simply mall) while shopping centre usually refers to open-air retail complexes.

Shopping mall has also be defined as a place where in there is a collection of shops adjoining each other with a pedestrian area, or an exclusively pedestrian street, that allows shoppers to walk without interference from vehicle traffic.

CLASSES OF MALLS

1.5.1.1 Regional Malls

As per the International Council of Shopping Centers, USA, a regional mall is, a shopping mall which is designed to service a larger area than a conventional shopping
mall. The council has defined it from area point of view also. A mall, that occupies between 400,000 square feet (37,000 m²) to 800,000 square feet (74,000 m²) gross leasable area, with at least 2 anchors\footnote{Shopping Center Definitions for the U.S. Information accurate as of 2004, retrieved on September 26, 2007.} and offers a wider selection of stores.

1.5.1.2 Super-Regional Malls

A super-regional mall is, per the ICSC, in the U.S. a shopping mall with over 800,000 square feet (74,000 m²) of gross leasable area, and which serves as the dominant shopping venue for the region in which it located.

1.5.1.3 Outlet Malls

An outlet mall (or outlet centre) is a type of shopping mall in which manufacturers sell their products directly to the public through their own stores. Other stores in outlet malls are operated by retailers selling returned goods and discontinued products, often at heavily reduced prices.

Mall development is phenomenal in India. As far as mall type is concerned, these are the outlet malls which are operative in India. The tremendous growth in the malls in India has been an evidence of such development. Mall mania in India, is shifting from developed cities or metros to developing cities also. No doubt cities like Mumbai, Chennai, Kolkata, Delhi and Noida etc are the top ranked cities from this angle but cities like Amritsar, Chandigarh, Ludhiana, Nagpur and Surat are also catching eyes of the retailers.

1.5.2 Hypermarket

Hypermarkets have emerged as the biggest crowd pullers due to the fact that regular repeat purchases are a norm at such outlets. Hypermarkets not only offer consumers the most extensive merchandise mix, product and brand choices under one roof, but also create superior value for money advantages of hypermarket shopping. With product categories on offer ranging from fresh produce and FMCG products to electronics, value
apparels, house ware, do it yourself (DIY) and outdoor products, the hypermarkets are becoming popular formats in India.

1.5.3 Supermarket

Unlike western countries where supermarkets are prominently visible, this is lacking in India. The supermarkets largely concentrate on selling food related products and are considerably smaller in size compared to hypermarkets. Their value proposition is also different from the hypermarkets. The supermarkets offer relatively less assortments but focus on specific product categories. They do not play the game on price rather use convenience and affordability as their salient features. A supermarket normally sells grocery, fresh and cut vegetables, fruits, frozen foods, toiletries, cosmetics, small utensils, cutlery, stationery and Gift items.

1.5.4 Convenience Stores

A Convenience store offers location advantage for the shoppers and provides ease of shopping and customized service to the shoppers. It charges average to above average prices, depending on the product category and carries a moderate number of stock keeping units (SKUs). Normally it remains open for long hours and shoppers use it for buying fill-in merchandise and emergency purchases.

1.5.5 Discounters

Wal-Mart, the largest retailer in the world is a discounter. Practically the discounters offer several advantages such as lower price, wider assortment and quality assurance. The discounters like Wal-Mart and Aldi were able to quickly build scale and pass on benefits to the consumer. In the long run success depends on the operational efficiency and consistent value delivery to the consumer. The same retailer Wal-Mart struggles in Asian countries like China but extremely successful in USA.

1.5.6 Branded Store

Branded stores are those stores which offer a limited number of branded products. These types of stores generally maintain full line of the product they deal in. Local brands are
not sold in such stores. In most of the cases in India, branded stores deal in apparel brands only.

1.5.7 Category Killer

The category killer concept originated in the U.S. due to abundance of cheap land and the dominant car culture. Category Killer is a kind of discount specialty store that offers less variety but deep assortment of merchandise. By offering a deep assortment in a category at comparative low prices, category specialist can be able to ‘kill’ that specific category of merchandize for other retailers. Generally such kind of retailers uses a self service approach. They use their buying power to negotiate low prices, excellent terms and assured supply when items are scarce. In India this kind of retail stores are not much at this point of time. But there is scope for such kind of format. In India, Mega-Mart is one sort of category killer which sells apparel products.

1.5.8 Dollar Stores

Dollar stores have their roots in America's homey five-and-dimes, the general stores that offered a range of products at low prices. But modern dollar-store retailers are having more sophisticated operations; leveraging their growing buying power to strike special deals with vendors and continuously striving for unique advantage of both convenience and price. Some chains sell all their goods at $1 or less. Others offer selected items at higher prices. Most sell a combination of paper products, health and beauty supplies, cleaning products, paper and stationery, household goods, toys, food and sometimes clothing. These stores involve in both private-label and brand-name goods.

1.5.9 Hawkers – ‘Mobile Supermarkets’

The unorganized sector is characterized by vendors (also known as ‘mobile supermarket’) who can be seen in every Indian bylane and hence, difficult to track, measure and analyse. These lowest cost retailers can generally be found at a rural post office, a dusty roadside bus stop or a village square and in small towns too. These retailers move from one lane to another of Indian villages and towns and try to sell their products to the customers. This mode of ‘mobile retailers’ is neither scalable nor viable
over the longer term, but is certainly replicable all over India. Most retailing of fresh foods in India occurs in Mandis and roadside hawker parks, which are usually illegal and entrenched. These are highly organized in their own way.

1.5.10 Kirana/Grocers/ Provision Stores/Mom-and-Pop Stores

Semi-organized retailers like *kirana* (mom-and-pop stores), grocers and provision stores are characterized by the more systematic buying from the mandis or the farmers and selling – from fixed structures. Economies of scale are not yet realized in this format, but the front end is already visibly changing with the times. These stores have presented Indian companies with the challenge of servicing them, giving rise to distribution and cashflow cycles as never seen elsewhere in Asia. The model is very antithesis of modern retail in terms of the buyer (retailer)-seller (FMCG) equations. It is not unknown for MNC leaders to link the supply of one line of products to another slower moving line of products. These retailers are not organized in the manner that they could challenge the power of the sellers, most protests have been in the form of boycotts, which really haven’t hit any company permanently.