CHAPTER - II

UNIVERSE OF RETAILING INSTITUTIONS

Retailing institutions are those business enterprises that carry out the tasks of retailing. The gamut of these institutions runs from the most rudimentary to highly complex and sophisticated ventures. The simplest form is shown in Figure No. 2.1, where the producers sell their consumer articles at road-side. This person harvests vegetables and converts them into salable pack for sale to passing consumers. As one step up the retailing ladder, in so far as complexity is concerned, is illustrated in Figure No. 2.2. There is retailer takes his store of goods, produced by others, in this case to the scattered consumers who have no means of getting to the market place. These two examples of retailing are of course old and traditional in to-day's retailing system. In India, till to-day these retail institutions are large in number, which is termed as crude affair in to-day's retailing system. This Chapter is devoted to examine in great detail the modern retailing institutions, how and why they evolved. It is said that retailing institutions come into existence
when a need for them exists. A corollary to this statement, points out that retailing institutions die when they no longer fulfil consumer needs.\textsuperscript{1} It means that retailer must remain sensitive to changes in the total environment as they take place, adjusting their operations to changing conditions.

Throughout the world\textsuperscript{2}, the winds of revolutionary change have blown furiously within the retailing industry since 1945. There are at least eight important forces behind this revolution in the retailing system:

1. Explosion in population
2. Rising standard of living
3. Increased mobility of customers
4. Technological innovation
5. Improved communications
6. Impact of youth upon society
7. Urbanisation and
8. Political and civil unrest.

The term large scale retailing may be misnomer in Indian economy. To better understand and appreciate as to what it is and what could be the trend in retailing in India, a historical survey of the growth of larger
six
size of retail establishment. Though the average size
of retail stores has been increasing for number of years,
partly because of price increases and partly because of
increases in the physical volume of products sold.

The task set in this Chapter is to identify and
examine the more important forms of retail institutions
that are evolved in developed economy such as U.S.A.
and to examine the nature and causes of the change that
the universe of retail institutions experienced. Thus,
Section-I of this Chapter will be devoted to explain
the scheme of classification of retail institutions and
to discuss the scheme of the classification of retail
institutions, and Section-II of this Chapter presents
the important forms of retail institutions that have
emerged on the retailing scene of U.S.A. with the help
of theories of retail institutional change.

SECTION-I

SCHEME FOR CLASSIFICATION OF RETAIL INSTITUTIONS

The development of retailing, as it is known to-day,
with vast amounts of merchandise made possible, through
countless stores, was made possible by three factors:
1. The industrial revolution which allowed machines to produce goods in large quantities,
2. A steady increase in the movement of population to towns and cities which made more and more people dependent on stores to provide things they demanded and,
3. By population growth which provides more customer for larger output of goods.

It is said that therefore, that retailing as a major business activity developed because there were more goods to distribute and more people to distribute them. The distribution of large amounts of goods to large number of people is the main function of modern retail stores.

Classification of retail stores:

The convention is long established for classifying retail stores/institutions in any of these ways:

1. By nature of product items sold
2. By the number of outlets owned and/or controlled
3. By the relative emphasis placed on location
4. By type of service rendered
5. By management organisations or operational techniques
6. By the ownership characteristics of the stores and
7. By type of a relationship with other stores.

These are not necessarily mutually exclusive categories. That is any particular store may embody virtually all the traits that are identified in these classes.

It is possible to classify retail stores in an almost unlimited variety of ways as illustrated in Figure No. 2.1, shown on next page.

All of these classes are meaningful for some purposes, but it would be an endless and very difficult task to discuss all of them in detail. Here attention is confined to a limited number of classifications based which have been selected with a care to reveal the more significant characteristics of the retailing structure and to point up the major competitive, social and economic problems and implications resulting therefrom.

Ownership classes:

Analysis of retail stores in terms of ownership has been of great interest because this approach involves
FIGURE No. 2.1
Outline of Selected Alternative Bases Used for Classifying Retail Establishments.

A. By Ownership of Establishment:
   1. Single-unit independent stores
   2. Multiunit retail organizations:
      a) chain stores
      b) branch stores
   3. Manufacturer-owned retail outlets
   4. Consumers' cooperative stores
   5. Farmer-owned establishments
   6. Company-owned stores (industrial stores) or commissions.
   7. Government operated stores (post exchanges, state liquor stores)
   8. Public utility company stores (for sale of major appliances).

B. By Kind of Business (Merchandise Handled):
   1. General merchandise group
      a) Department stores
      b) dry goods, general merchandise stores.
      c) general stores
      d) variety stores.
   2. Single-line stores (e.g., grocery, apparel, furniture)
   3. Specialty stores (e.g., meat markets, lingerie shops, floor coverings stores).

C. By Size of Establishment:
   1. By number of employees
   2. By annual sales volume.

D. By Degree of Vertical Integration:
   1. Nonintegrated (retailing functions only)
   2. Integrated with wholesaling functions.
   3. Integrated with manufacturing or other form-utility creation.

E. By Type of Relationship with Other Business Organizations:
   1. Unaffiliated
   2. Voluntarily affiliated with other retailers:
      a) through wholesaler-sponsored voluntary chains.
      b) through retailer cooperation.
   3. Affiliated with manufacturers by dealer franchises.

F. By Method of Consumer Contact:
   1. Regular store:
      a) leased department.
   2. Mail order:
      a) by catalog selling
      b) by advertising in regular media
      c) by membership club plans
   3. Household contacts:
      a) by house-to-house canvassing.
      b) by regular delivery route service
      c) by party plan selling.

G. By Type of Location:
   1. Urban:
      a) central business district
      b) secondary business district
      c) street location.
      d) neighborhood location.
      e) controlled (planned) shopping center.
      f) public market stalls.
   2. Small city:
      a) downtown
      b) neighborhood
   3. Rural stores.
   4. Roadside stands.

H. By Type of Service Rendered:
   1. Full service
   2. Limited service (cash-and-carry)

I. By Legal Form of Organization:
   1. Proprietorship
   2. Partnership
   3. Corporation
   4. Special types.

J. By Management Organization or Operational Technique:
   1. Undifferentiated
   2. Departmentized.
numerous competitive and other implications. Type of ownership often reflects differences in operation, especially with respect to financial structure, method of procuring merchandise, and the degree to which retail store operations are integrated with the performance of whole-selling and manufacturing functions.

Single-Unit independent stores:

Over a long period of years, the independent retailers who operated a single store have dominated stores' retailing structure. Single unit independent stores are relatively small, family type enterprises, that operate solely or almost entirely on the retail level. Among the advantages which allow the small independent store to compete with the larger stores are the following:

1. The stores cost of doing business is usually low because of low rents, location in a somewhat isolated neighbourhood or a rural area, and ownership by proprietors,

2. Owner himself manages all stores activities such as buying, controlling his stock, planning his own displays, pricing his own
merchandise, keeping an eye on competition and doing an expert job of selling, and

3. A personal relationship between customers and the manager is more likely to occur allowing the store to develop a unique personality. Nevertheless, the failure rate among small independent retail stores remains high. Such failures can be attributed to inexperience, incompetence and management inadequacies.

Chain or multi unit retailers:

The major competitor of the single unit independent, is the chain. A chain is characterised by -

1. The sale of similar merchandise by more than one stores
2. Stores usually have similar architectural format
3. Centralised buying and

The key to distinguish a chain from other outwardly similar organizations, is centralised buying which allows economics of scale and lower prices. In India
typically chains will feature staple merchandise
for which there is little variation in preferences.

**Manufacturer-owned stores:**

In certain lines of trade, independent or chain
retailers compete with manufacturers who have integrated
their operations forward in the distribution channel
by the use of their own retail outlets. Expansion of
retailing activities by manufacturers is limited by
two major principles. First, major reliance upon
manufacturer-owned stores is feasible only for well
financed companies that produce a relatively full line
of related products which are of relatively high unit
value. In the absence of this condition, adequate sales
volume cannot be obtained in a single retail establishment.

As corollary of this principle, successful manufacturers
owned stores usually function as merchant middlemen to
some extent. Leading stores owned by men's clothing
and type of tyre manufacturers, sell many items which
are brought from others to round out the merchandise
line and increase sales volume per establishment.

It is likely that the sum of manufacturers' sales
through their own retail stores did not exceed 2 to 3
per cent of the total of all manufacturers sales distributed through all channels.\textsuperscript{5}

**Government-owned stores:**

In socialist countries, the Government would own and operate business organisation for the benefit of the society. State operation in retailing must be viewed primarily as a device to effect control of the distribution of essential commodities to the society. Another form of Government stores consists of commissaries such as post exchanges and similar establishments often connected with military installations for the purposes of providing a special type of "fringe" benefit to employees in military services. All classes of commissaries, exchanges and eating and drinking operated by the Department of Defence for the benefit of military employees and for the benefit of tourists within the country's territories and abroad, account for insignificant per cent of total retail sales volume.

**Consumer cooperatives:**

A consumer cooperative is a marketing organisation owned and operated for the mutual benefit of consumer-owners, who have voluntarily associated
themselves for the purpose. Such an organisation is an attempt to substitute joint or cooperative efforts of consumers for those of private enterprise.

**Public utility owned:**

For many years, public utilities sold stores, refrigerators and other types of appliances. These sales were designed to boost the consumption of public utility goods.

**Farmer owned stores:**

A limited number of retail outlets are operated by farmers, often these are seasonal road-side establishments. Farmers owned retail outlets which are operated on a permanent basis typically reflect purchases by a farmer of products from many persons and from regular wholesale sources.

**Classification on the basis of merchandise handled:**

Retail establishments may also be classified on the basis of a variety and assortment of goods they carry. Classification of stores, on the basis of the extent and nature of line of goods handled is useful
because size, location, and to a degree merchandise methods, are greatly affected by this factor. Three broad classes of a store are recognised - (1) General merchandise stores, (2) Single line stores and (3) Speciality stores.

In distinguishing store on the basis of the extent and nature of line of goods handled, the terms "Variety" and "Assortment" may be employed. As used in retailing, "variety" implies generally different kinds of goods. Variety may be present in a related line of merchandise such as goods and is indicated by such diverse products as canned tomatoes, bakery products, cheese and so on. It may also exist without any natural relationship among items as in the variety stores where one may find candy, toilet articles, stationery, toys, hardware, apparel and so on. "Assortment" on the other hand related to the range of choices among substitutable characteristic of a given type of article. A women hand bag shop, a shop that carries only hand bags and purses - is strong in term of assortment if a woman can choose most of suitable hand bags for a given purpose - from many styles, colours, materials and prices of hand bags.
General Merchandise Stores:

General merchandise stores handle such an extensive variety of goods that they cannot be classified by a principal product class. Stores within this group are of several distinct types.

General stores are found chiefly in areas of scattered population, as the only retail outlet in village or small town location. Such stores are usually small and non-departmentalised. Among the principal commodities commonly sold are groceries, hardware, dry-goods, toilet goods, staple lines of apparel and furnishing. Thus many retail stores have adopted both related and unrelated lines of merchandise to supplement their merchandise offering, and in so doing they have made their offering more 'General'. One student of retailing feels that the most important form of retail institution in the future will be a giant 'Omnibus' outlet in which virtually any type of requirement may be fulfilled, although necessarily from limited assortments.

The General stores was once a significant type of outlet in rural and urban India, but has declined in importance due to population growth, urbanization
and highway improvements which have made a shopping district more acceptable to rural residents.

Department stores are usually large urban retail institutions that handle wide variety of lines, such as women's ready to wear, and accessories, men and boys clothing, piece goods, small wares, home furnishing, stationery and books, etc. Merchandise is segregated into separate departments for purposes of promotion, service, accounting and control. Because department stores normally serve a large trading area, they are usually located in down town areas or in major secondary shopping districts of large cities.

Dry goods stores:

Dry goods stores are similar to department stores in terms of merchandise handled, although home furnishings are often absent. They are classified separately because they do not meet certain department stores classification criterion, including sales of all required merchandise lines, large scale operation, or departmental organisation.

Variety Stores:

As the name implies variety stores handle many
different kinds of merchandise, mostly of low unit value. Operations are characterised by giving merchandise, maximum, open display, rather than by providing active personal selling assistance by sales people. These stores are still popular and known by their traditional trade designation 'limited price variety stores'. Variety stores are so named because the merchandise lines they offer are diverse (several general classes of products) but do not represent great selection or 'assortment' in any one product class.

**Single Line Stores:**

An extensive variety of one line of merchandise that is related in sale or use is the basis for classification as a single line store. Examples are furniture stores, jewelery stores, grocery stores and hardware stores. Large single line stores feature a wide assortment in addition to wide variety of items. In a men's clothing stores, for example, a consumer expects to find all kinds of men's apparel including hosiery, underwear, shirts, suits, coats and all. Large assortment of any one of these merchandise are found only in fairly large clothing stores. Thus it may be said that the basis for the single line store
is related variety wide assortments that are dependent upon a scale of operation that permits an extensive inventory investment.

Historically, single line stores tended to replace general stores small communities grow in size. Grocery stores are prominent in this category.

Speciality Stores:

This term refers to stores which handle an extremely limited variety of goods, perhaps even one type of merchandise, and they are called speciality stores. Normally, special stores have been identified by the principal item of merchandise that they offer for sale. Thus furniture, jewelery, hardware, are all adjectives that reflect line specialisation in retailing. Examples include flower shops, book stores, automobile dealers, single line grocery stores that compete with stores such as baked good establishment, tea stores and oil marts. In the clothing field, single line stores divide the market with speciality stores such as shoe stores, maternity dress shops etc.

The limited variety of merchandise handled by speciality stores may consist of convenience goods
as illustrated by cigar stands, or shopping goods such as apparel items, speciality goods, such as automobiles, vacuum cleaners, or hobby items for example rare postage stamps.

Speciality stores often have relatively simple buying problems. All merchandise is drawn from one or few suppliers with which very close relationships are maintained.

The classification according to the nature of merchandise carried by retail stores has produced a number of important instances in which it is very difficult to identify an outlet simply by the product line(s) in which it specialises. Thus, in this case, we cannot commonly speak of 'Food' stores. The term 'Super Market' was coined to identify a type of retail outlet that sells groceries produce, meat or dairy products. Similarly, for particular types of clothing and apparel stores, a special nomenclature was evolved. Thus the 'Department' stores is a store that features apparel, houseware and home furnishing.

The important point to remember here is that the concern with the extent and nature of product lines sold by retail stores has produced particular terms to identify distinctive types of stores. All
of the terms like 'Speciality' 'General' 'Variety'
'Super Market' and departments stores refer at least
in part to the nature of merchandise offering.

Classification of Stores based on
kinds of Business Groupings:

For the purposes of business use it is more
desirable to classify both single line and specially
stores within kind of business classification, as
shown in Figure 2.2 with the exception of general
merchandise stores, all stores included in this table
may be considered as single line or speciality
stores. It is easy to distinguish certain single
line operations, such as grocery stores, from
establishments like meat stores or candy stores. In
other cases such distinctions are not possible. One
women's dress shop may handle a large variety of
apparel and be classified as women's clothing stores
such as sarees stores, another may specialise to
extent of one blouse pieces within a narrow price
range, but still be grouped in the same classification.
Figure No. 2.2 provides an illustration of retail
stores in India. It reveals that trends that are of
interest to those in specific line of business.
**FIGURE No. 2.2**

Classification of Stores by kinds of Business Groupings.

<table>
<thead>
<tr>
<th>I. Food Group Stores:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grocery Stores</td>
</tr>
<tr>
<td>Meat or fish stores</td>
</tr>
<tr>
<td>Fruit or Vegetable Stores</td>
</tr>
<tr>
<td>Candy, nut confectionery stores</td>
</tr>
<tr>
<td>Dairy Product stores</td>
</tr>
<tr>
<td>Bakery Stores</td>
</tr>
<tr>
<td>Eggs - Poultry Stores</td>
</tr>
<tr>
<td>All other food stores.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II. Eating or Drinking Establishments:</th>
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<table>
<thead>
<tr>
<th>III. Drug and Chemicals Stores:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>IV. Automotive Group Stores:</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Tyres, Battery, Accessories Stores).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>V. Lumber, Building Materials:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paint, Glass, Wall Paper Store</td>
</tr>
<tr>
<td>Plumbing heating and other building group dealers</td>
</tr>
<tr>
<td>Farm equipment dealers</td>
</tr>
<tr>
<td>Hardware Store.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VI. Service Store:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barber, Beauty Shops</td>
</tr>
<tr>
<td>Cleaning and Pressing Stores</td>
</tr>
<tr>
<td>Shoe repair</td>
</tr>
<tr>
<td>Laundry Stores</td>
</tr>
<tr>
<td>Miscellaneous Personal Service Stores.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VII. General Merchandise Stores:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department Stores</td>
</tr>
<tr>
<td>Dry Goods, General Stores</td>
</tr>
<tr>
<td>Variety Stores.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VIII. Apparel accessory Group:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men's and boys' wear stores</td>
</tr>
<tr>
<td>Women's or girls clothing stores</td>
</tr>
<tr>
<td>Family clothing stores</td>
</tr>
<tr>
<td>Shoe stores</td>
</tr>
<tr>
<td>Child or infant clothing stores</td>
</tr>
<tr>
<td>Miscellaneous apparel store.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IX. Furniture, and Appliances Stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture Stores</td>
</tr>
<tr>
<td>Floor covering stores</td>
</tr>
<tr>
<td>Clime glasses and metal ware stores</td>
</tr>
<tr>
<td>Music stores</td>
</tr>
<tr>
<td>Other house furnish stores</td>
</tr>
<tr>
<td>Household appliance stores</td>
</tr>
<tr>
<td>Radio, TV Stores.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>X. Automobile Group Stores:</th>
</tr>
</thead>
<tbody>
<tr>
<td>New used car dealers</td>
</tr>
<tr>
<td>Used car dealers</td>
</tr>
<tr>
<td>All other such stores.</td>
</tr>
<tr>
<td>Gasoline Stores.</td>
</tr>
<tr>
<td>Cold Drink Stores</td>
</tr>
<tr>
<td>Beverage Stores</td>
</tr>
<tr>
<td>Second hand stores</td>
</tr>
<tr>
<td>Other retail Stores</td>
</tr>
<tr>
<td>Liquor Stores</td>
</tr>
<tr>
<td>Fuel Dealers</td>
</tr>
<tr>
<td>Seed, farm garden supply stores.</td>
</tr>
<tr>
<td>Jewelry Stores</td>
</tr>
<tr>
<td>Books, Stationery Stores</td>
</tr>
<tr>
<td>Sporting Goods Stores</td>
</tr>
<tr>
<td>Florist</td>
</tr>
<tr>
<td>Cigar Stores, Stands/Pan-Tabacoste.</td>
</tr>
<tr>
<td>Camera, Photographic suppliers stores</td>
</tr>
<tr>
<td>All other Stores.</td>
</tr>
<tr>
<td>Other service stores.</td>
</tr>
<tr>
<td>Funeral Service Stores</td>
</tr>
<tr>
<td>Auto repair, washing cleaning</td>
</tr>
<tr>
<td>Electric Repair Stores</td>
</tr>
<tr>
<td>Furniture repair stores</td>
</tr>
<tr>
<td>Other repair Stores.</td>
</tr>
</tbody>
</table>

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(Based on observations made by the Investigators in Reading of the Shop Establishments Registration - Registrar maintained by the City Municipality...)
Section - II

PATTERN OF RETAIL EVOLUTION

It has been observed in Section - I that the universe of retail institutions, is both vast and complex. Retailing is ever changing and dynamic industry. An attempt is being made in this Section to examine the nature and changes that this universe of retail institutions experienced. Several generalised theories have emerged to explain the evolution of retail structure. These include the (1) wheel of retailing, (2) the retail accordion (general-specific-general), (3) natural selection, the adaptive behaviour and (4) the dialectical process. In their evolution many institutions exhibit characteristics of all these theories. For discussion of explanatory characteristics of each theory, the performance of various classes of retailing institutions was examined. For this purpose, this special class of retailing institutions has been singled out for special considerations because of distinctive influence upon other forms of retailing, its authoritative role within distribution channel and anticipated future significance. The following are the special class of retailing institutions:
(1) The General Stores,
(2) Single-line/speciality Stores,
(3) The Department Stores,
(4) Variety Stores,
(5) Mail Order Houses,
(6) The Corporate Chain,
(7) Discount Stores,
(8) Super Markets,
(9) Shopping Centres,
(10) Cooperative Stores,
(11) Convenience Stores,
(12) Fast Food Outlets,
(13) Hypermarkets,
(14) The Boutique Warehouse Retailing and
(15) The Catalogue Show Room.

It has been noted earlier that America serves as a model, when it comes to charting the way which Indian distribution trade will take. Super Markets and Shoppping Centres, Voluntary Retail Chains, and discount stores all have their origin in the United State of America. So it was not out of place to discuss all of them in American environment.
II Overview of Theories of Retail Institutional Change:

The primary under-lying explanatory feature of each theory is different. For example, the adaptive behaviour\textsuperscript{8} model reflects the necessity for adaption to changes in the economics, social, technological and legal environments, emphasising that the retailer must have institutional flexibility to respond to these changes. The 'wheel of retailing'\textsuperscript{9} also reflects the necessity for adapting to changes in the external environments but in addition, suggest that the importance of management competence and foresight in institutional innovation. Less emphasis is\textsuperscript{10} placed upon the environment and more upon the far sighted behaviour of pioneering innovations. Thus, the model places greater emphasis on controlable factors than does the adaptive behaviour model.\textsuperscript{11}

The 'specific-general specific\textsuperscript{12} retail accordion model, places primary emphasis on the importance of merchandise lines in the evolution of retailing institutions. The general-specific-general cycle theory suggested that catalytic elements in retail institution change - 'is merchandise balance'. This 'Balance' refers to the 'Depth of line' versus 'Width of line' aspects of the product lines sold.
Finally, the 'dialectical process'\textsuperscript{13} was 'used' as a frame-work for the examination and explanation of the manner in which retail institutions adjust to new competitive forms.

This theory or frame-work of explanation 'Assumes that the world is not to be viewed as a complex set of fully fashioned objects, but as a complex of processes in which apparently stable objects arise and disappear as do the images of them within the human brain.'\textsuperscript{14} It was observed that the process of thesis/anti-thesis/synthesis identified with reasonable accuracy, in dialectic process of institutional change.

\textbf{ADAPTIVE BEHAVIOUR OF RETAIL INSTITUTIONS}

\textit{The General Store:}

The general store can perhaps best be explained by the concept of retail accordion (general-specific-general) model. It was the first modern institution of retailing in the United States after the Yankee peddler. It featured a wide variety and limited assortment of many products. The range of merchandise was impressive. Their stock included such diverse articles as looking mirrors, tin lanterns, school
stationery, fuel oils, tobacco products, hardware products, all sorts of grocery provisions, cutlery and confectionary items, farm supplies, tools and related merchandise items, so called general stores are often found in small non urban communities. It began to decline in importance after the industrial evolution in the United States. Later on the department stores and the dry goods, mail order retailer emerged.

The growth of cities or the increasing concentration of persons in urban areas, allowed the development of market segmentation in merchandise offerings. Thus, single line or speciality outlets evolved which served more narrowly defined groups of consumers.

However, profit pressures and the desire of growth caused the expansion of the merchandise lines of many of these stores. The stores began to take a complementary line of merchandise. Also, the desire to carry merchandise with higher than average margins led to the scrambled merchandising which is familiar to all somewhat like the concept of the early general merchandise store. However, again evidence a trend back to specialisation in retailing.
Single-line/speciality stores;

These institutions are also an example of adaptive behaviour model. The family shoe stores typifies definition of a single line store, whereas a store specialising in the sale of hats would be a speciality stores. Single line and speciality stores have continued to adopt over the years primarily by trading up in terms of merchandise lines, quality of fixtures and competence of personnel. The single line stores, whenever communities have grown enough in size to support more specialised outlets. Professor Jones suggests the transition from the general to the specific as follows:

"In times and places where a self sufficient or agricultural type of economy prevails, the general store is the dominant type of store, but where the economy is highly industrialised and its segments very much interdependent, the speciality store is the common type. The tendency to specialize is one of the basic long term trends of retailing. At the opening of 19th century, there probably was not more than 20 different kinds of speciality stores, in the United States, but by the close of century, the number was well over a hundred." 16
The Department Store:

The department store is an example of the dialectical process. In the 1950s, the department stores were a full line outlet featured a wide variety and assortment of merchandise, supplementary services, high prices and high margins. The negation of the department stores was the discount stores, which featured low prices, high volume, low mark up, few or no services, an isolated location, ample parking, and narrow assortment of hard and soft goods. Numerous developments are occurring in the general department stores field. In a few years, department stores had taken a variety of approaches to meeting discount competition. These include increasing of self service, longer business hours, and new merchandise lines. During the late 1960s, discount stores began to locate in new better buildings with better fixtures. They also began to offer credit and related services. With this increasing array of services the markups increased. Thus the so-called promotional department stores emerged, reflects elements of the traditional department store and the discount store.
Variety Stores:

Variety stores are an example of adaptive behaviour. They have continued to trade up and to expand their merchandise lines without drastically changing their concept of merchandise. Over the years they have become increasingly like the traditional department store.

Mail Order Houses:

Mail order houses were among the earliest retail institutions to recognize the importance of the environment in affecting merchandising. The responses of mail order houses have not been limited to opening retail stores. These organisations have also changed their methods of catalog selling by trading up in quality and variety of merchandise, improving their sales promotion, and adding private branded merchandise, yet they continue to stress price and guarantee of satisfaction.

Recently, the solicitation of catalog customers by telephone has increased. In addition the mail order house have moved into the sale of insurance and mutual funds. If past behaviour is any indication of the future, these outlets will continue to respond
flexibility to changes in their environments.

The Corporate Chain:

The corporate chain is relatively modern phenomenon which is present in virtually all merchandise lines. The corporate chain is characterised by central ownership and by central control over all retail units, including control of profit planning, losses and merchandise planning.

The evolution of corporate chain is an example of adaptive behaviour. The corporate chain become an important factor in retailing in the 1920s, because of economic and social environments of that time. Distribution had not kept up with rapid advances in productive efficiency. However the development of the automobile and a decent road structure made it possible for large number of non urban residents to stop in cities frequently.

The chains introduced the concept of self service by shifting many of the functions traditionally performed by the retailers to the consumers. Also, volume purchases, allowed further operating economies which allowed the chains to under price most independents. The corporate chain as a method of merchandise has remained popular. Even today in
America, corporate chains are preferred tenants, in shopping centers. 18

Discounts Stores:

Controversy exists as to whether the discount house is an adaption to changing environmental or is primarily a result of entrepreneurial behaviour. In any case it is an important aspect of the evolution of retail structure. Discount retailers may be of various types. They have developed partly because of pressure in the economic environment for lower prices and partly because of the failure of department stores to respond to the needs of suburban markets.

A variety of features characterize the discount house, including self service, low prices, convenience of locations and management skills in adopting merchandising strategies to needs of the consumers. Thus, the discount house is really as much a retail merchandising philosophy as it is an institution of retailing. Discounting occurs primarily in the retailing of furniture, major appliances, and general merchandise. The discount house in general merchandising appeared initially as a direct challenge for the department store.
Super Markets:

Super Markets as we know them to-day did not emerge in the United States of America until the late 1920. Prior to that time, food had been sold in variety of speciality shops, which were followed by main and pop outlets with all types of services, including credit and delivery. The king Kulsin super markets than emerged in abandoned warehouses, selling merchandise from the case on crude display benches. The outlets were in isolated, low rent locations. They operated on high volume, low prices and nationally branded merchandise. They were the anti thesis of the small independent outlet, which tended to specialise in meat, produce, or dry goods. The meaning of anti-thesis is 'challenge' to the thesis. There is mold or a blending of the thesis with the antithesis. The result is called the 'synthesis' and philosophical position or an 'Institution' between the origin thesis (Independent grocery outlets) and the antithesis (Super markets).

Gradually the two types of institutions, blended and the thesis emerged as the familiar neighbourhood super markets. The result was more equipment, larger buildings, and larger amount of
space to accommodate such products as delicatessen, liquor, cosmetics, non prescription drugs and wide variety of services, including same-day delivery to one's automobile.

The antithesis, which began to emerge in the late 1960s and early 1970s, has taken a variety of forms, one of which is the convenience store. This type of outlet features longer hours, self-service, narrow assortments, higher prices and convenient location near residential sub-divisions. Another form was the discount department store. More recently, warehouse grocery outlets have emerged. These are some what reminiscent of the super markets of the 1920's and report a synthesis, of the conventional super market and the discount super market. Customers mark their own merchandise, remove it from the creates, bag it, and carry it to their automobiles. The primary features are low price, high volume, and national brands.

**Shopping Centre:**

Shopping Centres are an example of adaptive behaviour. They began as high margin/low-turn-over clusters of basically non-food operations under a single roof. Shopping Centres developed because of the decentralisation of urban populations, the
increasing popularity of the automobile, traffic congestion and parking problems in the Central Business district (CBD), a desire for more convenient and longer hours, and the aggregate convenience of one stop shopping.

Some authors contend that the shopping centre is not a new type of institution but rather, like the department stores branch, an innovative response to changing environmental conditions.\textsuperscript{22}

The shopping centre itself embodies the concept of one stop shopping which is after all, a part of a general line appeal. Centres were planned to provide convenient and complex shopping. In this sense, shopping centres although they are not always under one roof and thus, are not technically a 'Stores' are an institution of retailing, which embodies the concept of a generalised lines of merchandise. The 'Cover malo' centre is huge and general store. Shopping centres are an important response by some retailing institutions, especially department stores and variety chains to changing economic and social environments.\textsuperscript{23}

Cooperatives:

Cooperatives offer an example of adaptive
behaviour in retailing. The corporate chain greatly affected independent retailers and whole salers. Hence they used to adapt their method of operation to changing conditions. The primary changes was, the emergence of the voluntary chains, adapted, captained either by the whole salers or the retailer. It was designed to provide purchasing and operating economies of scale to independent retailers and wholesalers. Subsequently cooperative abandoned their initially defensive posture, and they are now adding a full array of services for their members.

Convenience Stores:

The convenience store, particularly in food, reflects elements of both the retail accordion and the dialectical process. Convenience stores are characterised by closeness of location, long hours, limited lines of fast moving merchandise, and higher prices than are found in the typical supermarket. These outlets emerged because of the desire of consumers for the advantage which could be obtained through this method of operation. The convenience stores can be viewed as the antithesis of the supermarket. Likewise, if one thinks in terms of the specific-general-specific hypothesis, of the retail accordion, the convenience store reflects elements
of the single-line-grocery outlets which existed in the 1920's prior to the emergence of super market.

**Fast food outlets:**

This institution exemplifies the dialectical process. So called drive-in-restaurants, began with a extensive menu a provision for in-store-eating. Typically the food was prepared after the order was taken. The anti-thesis of this kind of outlet emerged during the early 1960's. The new outlets featured a very limited menu, precooked food, and totally take out operations. The thesis appears to be a combination of these two earlier types of outlets. Such combination feature a some what broader menu than did the all take out restaurant, but one which is less varied than that of the original drive in. Also, even though the food is precooked and the service rapid, opportunities for eating it inside the outlet are again provided.

**Hyper Markets:**

A typical hyper market is characterised by such features as:

1. Cost $11 million
2. Footage : Food and general merchandise 250,000 sq.ft., Super Market 42000 sq.feet general 103000 sq.ft.
(3) Parking : 3000 cars.
(4) Number of checkouts : 49 up front 11 department register.
(5) Opening stock at retail $5 million, Estimated annual income $35 million.

The hyper market - a combination of discount store, super market and warehouse, under a single roof is an example of adaptive behaviour. Typically it sells both food and non-food items at 10-15 per cent below normal retail prices and stores merchandise as high as ten feet. Hyper market may offer a major challenge to conventional retailing in the near future.

The Super Store appeared to be an example of adaptive behaviour. The profit of the food chains have been decreased rapidly in the past 20 years in United States of America. Many have tried to decrease distribution costs by developing their products lines both within the super market and in order types of operations. For example, 'Safe way Super Stores Sell' every thing from $380, Sony Television sets and $22 slow cookers to 8000 different grocery items'. Also, consumers pressure for an over expanding variety of products and services in both food or non-food under a single roof have promoted the emergence of
this type of store. Chains needs a more profitable merchandise mix and higher volume to remain financially viable. The Super Store is the response. Lastly, changes in the technological environment, such as the uniform product code and the automatic front end, now provide the merchandising data which are necessary to make the complex decision required in the successful operation of Super Stores.

**Home Improvement Centres**

In the United States of America, the volume of home improvement centre sales increased from sells $3 million to approximately 7 million during the 1970-74 period. Home improvement centres exemplify the general-specific-general retail accordion model. In the 1920, the general stores offered an extensive variety of virtually all types of merchandise. The market potential was then insufficient to support specialised outlets featuring an extensive assortment of few lines.

During the 1950 and 1960's some stores began to specialise in paint, lumber, wall paper or hardware. The 1970 saw the emergence of home improvement Centre featuring all types of merchandise lines - from paints to nails to carpet to wall papers that
the consumer needs for various home improvement projects. Thus the one stop home improvements centres with a wide variety of merchandise lines a resonable assortment within the lines have emerged.

The Boutique:

The boutique is highly specialised personality stores which also exemplified the general-specific-general, retail model. During the 1960 and early 70s, the consumer's quest for individuality and merchandise tailored to varying life styles caused the emergence of single line and speciality shops with merchandise tailored to highly specific-market segments. These outlets are similar in many ways to the single line and speciality stores of the prechain area of the 1920x. Today see outlets specialising in house plants, garment foods, cut-glass greeting cards, bathroom accessories, kitchen accessories, and much more. These outlets provide an alternative for the consumer who wants the individuality and personnel attention which simply are not available in a large general merchandise department stores.

Ware-house-retailing:

Warehouse retailing is an exemple of the wheel
of retailing. It emerged in the 1920 with the introductions of super market merchandising of foods. Merchandise was sold in low-rent buildings with a minimum of supplementary services. The super markets then gradually traded up with increasing profit margins and a wider array of services.

During the early 1970 pressure on profits margin and rapidly rising prices caused a return to the warehouse retailing method of the 1920's. Certain types of merchandise particularly food and furnitures are again being retailed in isolated low rent buildings. A minimum of services are offered. The consumer performs the bulk of functions. This approach to merchandising allows profit margins to be maintained while offering low prices to the consumer. Warehouse retailing is not limited to a single category of merchandise but seems to represents a philosophy of merchandising as much as an institutional type.

The catalog showroom:

The evolution of mass merchandise explains the current popularity of the catalog showroom. It exemplifies the retail accordion model. The mass
merchandise began as a low cost/high volume discount or chain stores operation. However, it rapidly trade up from the low fixed and variable costs of 1920s retailer. During the early 1960s, the management had to work exceedingly hard to earn 1 or 2 per cent net return on sales. Location, decor, and service had become almost as important as price. The catalog show room thus emerged offering wide assortments of merchandise, name brands, low prices and opportunity for a time conscious consumer to make purchase from a catalog rather than having to travel to a series of individual outlets to purchase merchandise. The low over head cost feature of these outlets is reminiscent of the discounters of 1930s.

The task in this section was to examine the various types of retail institutions and to examine the several theories 'working hypothesis' which have been evolved to sharpen the understanding in retail institutional change.

The retailing institutions of today must find ways of increasing their profitability and growth potential. Innovative, strategies and innovate institutions will be needed, if these institutions are to survive during the next decade.
The following Figure No. 2, presents the basic material which has been promoted in this Chapter.

For each the institution type discussed, it present the institutional period of fastest growth the present stage of the institutional life cycle. Several generalised theories have emerged to explain the evolution of retail structure. These include the wheel of retailing, the retail accordion or general-specific-general-cycle hypothesis, natural selection of adaptive behaviour and the dialetical process. In their evolution many institutions exhibits characteristics of all these theories. Further no single theory can explain the evolution of all types of retail institutions. At best the existing theories are descriptive and perhaps, somewhat explanatory. Certainly they are not predictive of institutional evolution. Also they are not applicable without modification outside the retailing structure of the United States of America.

Table No. 2 presents the data regarding the performance of retail institutions in terms of the operating financial ratios, which highlights the emerging trends in retailing structure.
<table>
<thead>
<tr>
<th>Institutional type</th>
<th>Period of fastest growth</th>
<th>Period from inception to maturity (years)</th>
<th>Stage of life cycle</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Stores</td>
<td>1800-40</td>
<td>100</td>
<td>Declining</td>
</tr>
<tr>
<td>Single-line/speciality store</td>
<td>1820-40</td>
<td>100</td>
<td>Mature</td>
</tr>
<tr>
<td>Department store</td>
<td>1860-1940</td>
<td>80</td>
<td>Mature</td>
</tr>
<tr>
<td>Variety Store</td>
<td>1870-1930</td>
<td>50</td>
<td>Declining</td>
</tr>
<tr>
<td>Mail-Order House</td>
<td>1915-50</td>
<td>50</td>
<td>Mature</td>
</tr>
<tr>
<td>Corporate chain</td>
<td>1920-30</td>
<td>50</td>
<td>Mature</td>
</tr>
<tr>
<td>Discount Store</td>
<td>1955-75</td>
<td>20</td>
<td>Mature</td>
</tr>
<tr>
<td>Super Market</td>
<td>1935-65</td>
<td>35</td>
<td>Mature</td>
</tr>
<tr>
<td>Shopping Centre</td>
<td>1950-65</td>
<td>40</td>
<td>Mature</td>
</tr>
<tr>
<td>Cooperative</td>
<td>1930-50</td>
<td>40</td>
<td>Mature</td>
</tr>
<tr>
<td>Gasoline Station</td>
<td>1930-50</td>
<td>45</td>
<td>Mature</td>
</tr>
<tr>
<td>Convenience Store</td>
<td>1965-75</td>
<td>20</td>
<td>Mature</td>
</tr>
<tr>
<td>Fast-food operation</td>
<td>1960-75</td>
<td>15</td>
<td>Mature</td>
</tr>
<tr>
<td>Hyper Market</td>
<td>1973-?</td>
<td></td>
<td>Early growth</td>
</tr>
<tr>
<td>Home Development Centre</td>
<td>1965-80</td>
<td>15</td>
<td>Late growth</td>
</tr>
<tr>
<td>Boutique</td>
<td>1965-75</td>
<td>10</td>
<td>Late growth</td>
</tr>
<tr>
<td>Warehouse Retailing</td>
<td>1970-80</td>
<td>10</td>
<td>Late growth</td>
</tr>
<tr>
<td>Catalog-showroom</td>
<td>1970-80</td>
<td>10</td>
<td>Late growth</td>
</tr>
</tbody>
</table>


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<table>
<thead>
<tr>
<th>Retailing Innovations</th>
<th>Net profits to net sales (Percent)</th>
<th>Net sales to total asset</th>
<th>Net Profits to total asset (percent)</th>
<th>Total assets to Net worth</th>
<th>Net Profit to net worth (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience food stores</td>
<td>2.9</td>
<td>3.6</td>
<td>10.4</td>
<td>1.7</td>
<td>17.7</td>
</tr>
<tr>
<td>Fast-food service outlets</td>
<td>4.7</td>
<td>1.8</td>
<td>9.5</td>
<td>2.2</td>
<td>18.4</td>
</tr>
<tr>
<td>Super Stores</td>
<td>2.5</td>
<td>4.5</td>
<td>11.2</td>
<td>1.8</td>
<td>20.2</td>
</tr>
<tr>
<td>Hyper Markets</td>
<td>2.5</td>
<td>4.6</td>
<td>11.5</td>
<td>2.0</td>
<td>23.0</td>
</tr>
<tr>
<td>Bantam Drug Stores</td>
<td>3.4</td>
<td>2.7</td>
<td>9.2</td>
<td>1.6</td>
<td>14.7</td>
</tr>
<tr>
<td>Drug Super Markets</td>
<td>4.6</td>
<td>2.6</td>
<td>12.0</td>
<td>1.4</td>
<td>16.8</td>
</tr>
<tr>
<td>Super Drug Stores</td>
<td>3.6</td>
<td>4.1</td>
<td>14.8</td>
<td>1.3</td>
<td>19.2</td>
</tr>
<tr>
<td>Sporting goods Super Markets</td>
<td>4.9</td>
<td>2.1</td>
<td>10.3</td>
<td>1.3</td>
<td>13.4</td>
</tr>
<tr>
<td>Bantam Discount Stores</td>
<td>3.7</td>
<td>2.7</td>
<td>10.0</td>
<td>1.9</td>
<td>19.0</td>
</tr>
<tr>
<td>Home Improvement Stores</td>
<td>2.8</td>
<td>3.0</td>
<td>8.4</td>
<td>2.4</td>
<td>20.2</td>
</tr>
<tr>
<td>Bargain Stores</td>
<td>4.0</td>
<td>2.6</td>
<td>10.4</td>
<td>1.8</td>
<td>18.7</td>
</tr>
<tr>
<td>Catalog-Show Rooms</td>
<td>4.7</td>
<td>1.5</td>
<td>7.1</td>
<td>2.2</td>
<td>15.6</td>
</tr>
<tr>
<td>Furniture Warehouse Show Rooms</td>
<td>3.7</td>
<td>2.5</td>
<td>9.2</td>
<td>1.9</td>
<td>17.5</td>
</tr>
</tbody>
</table>
The retailing structure experienced a decline in profit margins and increasing expenses during the past 20 years. Thus, major innovation approaches are called for in developing models which will ensure adequate profitability or growth.
CHAPTER II

REFERENCES


2. Ibid., p.27.


5. Ibid., p.255.


7. In an effort to understand and better portray the nature of change in retail institutions, four 'working hypothesis' or theories have evolved-These Theories are following:

1. Natural Selection in retail institution.
2. The 'wheel of retaining'
3. The 'General-specific-general' cycle.
4. The 'dialectic' press

8. A.C.R. Dreesman, "Patterns of evolution in Retailing", Journal of Retailing, Vol. 44 (spring 1968) pp.64-81. Dreesman believes that the retailing institutions which can most effectively adapt to environmental changes are the ones that most likely to prosper or survive. Darwin's theory of natural selection has been popularized in the Plarse 'Survival of the fittest', Accordingly retail institutions are economic species and the retail enterprise confronts an environment comprised of customers, competitors and a fluctuating technology. We might, then 'transplant', the theory of natural selection into the context of retail institutional change and to some extent, explain the success of some institutional species and the failure of others.

'The wheel of retailing' is the name Professor Malcom P. Mcnair has suggested for a major hypothesis concerning patterns of retail development. This hypothesis holds that new types of retailers usually enter the market as low-status, low margin, low price operators. Gradually they acquire more elaborate establishment and facilities, with both increased investments and higher operating costs. Finally they mature as high-cost, high-price merchants, vulnerable to newer types who, in turn, go through the same pattern. Department stores merchants who originally appeared as vigorous competitions to the smaller retailers as who have now become vulnerable to discount house and super market-competition are often cited as prime examples of wheel pattern.


11. Hollander S.C., 'Notes on Retail Accordion' Journal of Retailing Vol.2 (Summer 1966) page 29-50, 54 The trend toward scrambled merchandising and the counter movement toward specialisation are the subjects of this discussion.

12. The General-Specific-general-cycle' has been identified by F.D. Ward., A.Brand in his Modern Super Markets Management, especially page 242-44.

Several writers have suggested that retail institutions evolve from broad based outlets with wide assortments to specialised narrow line stores merchants and then return to the wide assortment pattern (General-specific-General) This evolution suggests the term accordion which reflects a supposed contraction and expansion of merchandise lines in retail outlets. Hollander S.C., op.cit. pp.37-42.
A number of generalising forces or tendencies have been identified. In brief summary, these forces include the following:

1. Joining complementary lines (as meat, grocery, and produce).

2. 'Creaming' - taking the 'sure' merchandise from other outlets.

3. 'Scrambling' - taking the 'risky' merchandise from other outlets.

4. Adding full lines 'borrowed' from other institutions, for example, super markets in discounting, and discounters in super marketing.


15. Dialectics means, specifically, that the stages of each development repeat former stages, but on a different plane. That is, each step is the negation of the previous step, and the next step must be a negation of the that negation. It does not restore the original situation, but invariably creates a third situation which is different because of the double process of negation. This process of change means that everything must decline to make way for new things, that nothing in nature or society is fixed or 'sacred' since it must share the process of transformation.


17. Fred M. Jones, Retail Merchandising (Homewood, Ill : Richard D. Irwin Inc. 1957) p.15.


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