Chapter II

DEPARTMENTAL STORES ACROSS THE GLOBE: AN OVERVIEW
CHAPTER - II
DEPARTMENTAL STORES ACROSS THE GLOBE: AN OVERVIEW

INTRODUCTION

Retailing occupies a pre-eminent position in the economies of all modern societies. The retail sector is changing at an ever-increasing rate and this is leading to greater competitor activity. It is often stated that the only constant in retailing is change and it is certainly true that the pace of development within retailing appears to be accelerating. More than ever before, at the close of the twentieth century, we are witnessing the emergence of new forms of retailing, in part in response to demand from increasingly sophisticated consumers. The market is becoming more segmented with retail formats focusing on the needs of particular consumer groups. The result of this is the development of a more complex retail environment.

Where once it was manufacturer's brands that were all important, the 1990s have seen the power of retailer's brands challenging the position of suppliers. The traditional forms of independently owned small businesses and co-operatives have lost significant market share and, in developed economies, the retail sector is now characterized by large-scale multiple chains run by powerful and sophisticated organizations.

The increasing size of retailers and intensifying rates of competition in the markets in which they are operating has led retailers to search for new ways in which to grow their businesses. The late 1980s and 1990s witnessed retailers moving away from their core businesses into such areas as financial services.
Similarly, an acceleration of retail internationalization occurred resulting in familiar logos, liveries, store fascias and retail formulas being found throughout the world. All this illustrates that retailing is a dynamic industry.

Retailing is not only an integral part of our economic structure but also shapes, and is shaped by, our way of life. While the trading of goods has always been a part of traditional societies, in recent times the buying and selling of products has become a much more formalized and brand-dominated activity. Even as relatively recently as the 1960s retailing was predominately seen as having a smaller and significantly less important role than other industries such as manufacturing. However, the retail sector is increasingly being viewed as an important activity in the economy and its impact on society in general is readily acknowledged. This acceptance of its importance is a reflection of a number of factors, for example, retailing accounts for a significant proportion of GDP, it employs a large proportion of the workforce, and retailers are among the largest and most sophisticated of organizations.

The power of individual retail organizations is growing; they are now comparable with, and even bigger than, many manufacturers. For example, the six largest retailers in Europe are comparable with only two European manufactures, an indication of the growing dominance of retailers within the supply chain. Certainly the annual turnovers achieved by retailers are comparable with the largest companies in other service industries. If the retail sector is compared with organizations within the hospitality sector, and indeed with major corporations outside the service sector, the relatively powerful position of retailers is clear.
MEANING OF RETAILING

The word 'retail' is derived from the French word 'retaillier', meaning 'to cut a piece off' or 'to break bulk'. In simple terms, it implies a first-hand transaction with the customer.

Retailing involves a direct interface with the customer and the coordination of business activities from end to end - right from the concept or design stage of a product or offering, to its delivery and post-delivery service to the customer. The industry has contributed to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

Retailing includes all the activities involved in selling goods or services directly to final consumers for personal, non-business use. A retailer or retail store in any business enterprise whose sales volume comes primarily from retailing.

Any organization selling to final consumers - whether it is a manufacturer, whole-seller, or retailer - is doing retailing. It does not matter how the goods or services are sold (by person, mail, telephone, vending machine, or Internet) or where they are sold (in a store, on the street, or in the consumer's home).

Types of Retailers

Consumers today can shop for goods and services in a wide variety of retail organizations. There are store retailers, non-store retailers, and retail organizations. Perhaps the best-known type of retailer is the department store. Japanese's department stores such as Takashimaya and Mitsukoshi attract millions of shoppers each year. These stores feature art galleries, cooking classes, and children's playgrounds.
The most important retail-store types are described below.

Major Retailer Types

- Specialty Store: Narrow product line with a deep assortment. A clothing store would be a single-line store; a men's clothing store would be a limited-line store; and a men's custom-shirt store would be a super specialty store. Examples: Athlete's Foot, Tall Men, The Limited, The Body Shop.

- Departmental Store: Several product lines—typically clothing, home furnishings, and household goods—with each line operated as a separate department managed by specialist buyers or merchandisers. Examples: Sears, JC Penney, Nordstrom, Bloomingdale's and Wal-Mart.

- Supermarket: Relatively large, low-cost, low-margin, high-volume, self-service operation designed to serve total needs for food, laundry, and household products. Examples: Kroger, Food Emporium, Jewel.

- Convenience Store: Relatively small store located near residential area, open long hours, seven days a week, and carrying a limited line of high-turnover convenience products at slightly higher prices, plus takeout sandwiches, coffee, soft drinks. Examples: 7-Eleven, Circle K.

- Off-Price Retailer: Merchandise bought at less than regular wholesale prices and sold at less than retail: often leftover goods, overruns, and irregulars.
Factory outlets are owned and operated by manufacturers and normally carry the manufacturer's surplus, discontinued, or irregular goods. Examples: Mikasa (dinnerware), Dexter (shoes), Ralph Lauren (Upscale apparel).

Independent off-price retailers are owned and run by entrepreneurs or by divisions of larger retail corporations. Examples: Filene's Basement, T.J. Maxx.

Warehouse clubs (or wholesale clubs) sell a limited selection of brand-name grocery items, appliances, clothing, and a hodgepodge of other goods at deep discounts to members who pay annual membership fees. Wholesale clubs operate in huge, low-overhead, warehouse-like facilities and offer rock-bottom prices - typically 20 to 40 percent below supermarket and discount-store prices. Examples: Sam's Clubs, Max Clubs, Price-Costco, BJ's Wholesale Club.

- Superstore: About 35,000 square feet of selling space traditionally aimed at meeting consumers' total needs for routinely purchased food and nonfood items, plus services such as laundry, dry cleaning, shoe repair, check cashing, and bill paying. A new group called category killers carries a deep assortment in a particular category and a knowledgeable staff. Examples: Borders Books and Music, Pet smart, Staples, Home Depot, IKEA.

Combination stores are combination food and drug stores that average 55,000 square feet of selling space. Examples: Jewel and Osco stores.
• **Hypermarkets** range between 80,000 and 220,000 square feet and combine Departmental store, discount and warehouse retailing. Product assortment includes furniture, large and small appliances, clothing, and many other items. They feature bulk display and minimum handling by store personnel, with discounts for customers who are willing to carry heavy appliances and furniture out of the store. Hypermarkets originated in France. *Examples:* Carrefour and Casino (France); Pyrca, Continente, and Alcampo (Spain), Meijer's (Netherlands).

• Catalog Showroom: Broad selection of high-make-up, fast-moving, brand name goods at discounts prices. Customers order goods from a catalog, then pick these goods up at merchandise pick up area in the store. *Example:* Service Merchandise.
Share of Trade In Asia

Shoppers within Asia are continuing to shift their spend from traditional to modern stores

<table>
<thead>
<tr>
<th>Year</th>
<th>Modern self-service trade</th>
<th>Traditional counter service</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>65%</td>
<td>35%</td>
</tr>
<tr>
<td>2000</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>2001</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>2002</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>2003</td>
<td>56%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Figures are in percentage. Figures exclude Japan.

Source: AC Nielsen - ORG MARG
Exhibit: 2.2

2003 Vs 2002: Growth In Value Sales
Thailand remains the most buoyant market in south-East Asia, with another year of high growth.

Based on FMCG Categories Tracked by ACNielsen

Source: AC Nielsen - ORG MARG

Exhibit: 2.3

Average Spend: Food & Groceries

Source: AC Nielsen - ORG MARG
Exhibit : 2.4

2003 Vs 2002: Growth In Value Sales

China grew strongly, while other North Asia countries had a tough year. The Pacific markets showed relatively strong growth of 5 per cent.

<table>
<thead>
<tr>
<th>Country</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>7</td>
<td>5</td>
</tr>
<tr>
<td>Japan</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>-1</td>
<td>0</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Korea</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>China</td>
<td>11</td>
<td>9</td>
</tr>
</tbody>
</table>

Figures are in percentage ■ 2002 □ 2003

Source : AC Nielsen - ORG MARG

Exhibit : 2.5

Share Of Trade for Modern Self-services Outlets

During 2003, both in Thailand and Philippines, traditional stores actually regained some ground, while the modern trade performed well in Malaysia.

<table>
<thead>
<tr>
<th>Country</th>
<th>2001</th>
<th>2002</th>
<th>2003 Vietnam = Hanoi &amp; Ho Chi Minn City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Singapore</td>
<td>81</td>
<td>83</td>
<td>86</td>
</tr>
<tr>
<td>Malaysia</td>
<td>42</td>
<td>45</td>
<td>49</td>
</tr>
<tr>
<td>Thailand</td>
<td>44</td>
<td>44</td>
<td>43</td>
</tr>
<tr>
<td>Philippines</td>
<td>43</td>
<td>42</td>
<td>40</td>
</tr>
<tr>
<td>Indonesia</td>
<td>25</td>
<td>25</td>
<td>26</td>
</tr>
<tr>
<td>Vietnam</td>
<td>10</td>
<td>16</td>
<td>17</td>
</tr>
<tr>
<td>India</td>
<td>7</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>Sri Lanka</td>
<td>7</td>
<td>9</td>
<td>7</td>
</tr>
</tbody>
</table>

Figures are in percentage ■ 2001 □ 2002 ○ 2003

Source : AC Nielsen - ORG MARG
Exhibit: 2.6

Shopper Type By Gender: The Main Shoppers

<table>
<thead>
<tr>
<th>Region</th>
<th>Pacific</th>
<th>NorthAsia</th>
<th>South-East Asia</th>
<th>South Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>87</td>
<td>78</td>
<td>81</td>
<td>97</td>
</tr>
<tr>
<td>Japan</td>
<td>93</td>
<td>83</td>
<td>84</td>
<td>91</td>
</tr>
<tr>
<td>Taiwan</td>
<td>99</td>
<td>86</td>
<td>93</td>
<td>97</td>
</tr>
<tr>
<td>China</td>
<td>82</td>
<td>99</td>
<td>91</td>
<td>69</td>
</tr>
<tr>
<td>Malaysia</td>
<td>81</td>
<td>84</td>
<td>93</td>
<td>74</td>
</tr>
<tr>
<td>Philippines</td>
<td>83</td>
<td>86</td>
<td>81</td>
<td>84</td>
</tr>
<tr>
<td>Vietnam</td>
<td>86</td>
<td>99</td>
<td>97</td>
<td>74</td>
</tr>
<tr>
<td>India</td>
<td>99</td>
<td>91</td>
<td>97</td>
<td>69</td>
</tr>
</tbody>
</table>

Source: AC Nielsen - ORG MARG

Exhibit: 2.7

Shopper Type By Gender: The Key Influencers

<table>
<thead>
<tr>
<th>Region</th>
<th>Pacific</th>
<th>NorthAsia</th>
<th>South-East Asia</th>
<th>South Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>53</td>
<td>40</td>
<td>34</td>
<td>47</td>
</tr>
<tr>
<td>Japan</td>
<td>63</td>
<td>48</td>
<td>48</td>
<td>56</td>
</tr>
<tr>
<td>Taiwan</td>
<td>58</td>
<td>92</td>
<td>57</td>
<td>34</td>
</tr>
<tr>
<td>China</td>
<td>92</td>
<td>43</td>
<td>57</td>
<td>53</td>
</tr>
<tr>
<td>Malaysia</td>
<td>43</td>
<td>34</td>
<td>53</td>
<td>56</td>
</tr>
<tr>
<td>Philippines</td>
<td>34</td>
<td>48</td>
<td>35</td>
<td>34</td>
</tr>
<tr>
<td>Vietnam</td>
<td>48</td>
<td>65</td>
<td>52</td>
<td>44</td>
</tr>
<tr>
<td>India</td>
<td>92</td>
<td>95</td>
<td>53</td>
<td>66</td>
</tr>
</tbody>
</table>

Source: AC Nielsen - ORG MARG
Exhibit: 2.8

RETAIL CONTRIBUTES SIGNIFICANTLY TO GDP AND EMPLOYMENT
Per cent, 1997

<table>
<thead>
<tr>
<th>Share of retail in GDP</th>
<th>Share of retail in employment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USA</strong> 23</td>
<td><strong>USA</strong> 21</td>
</tr>
<tr>
<td><strong>Poland</strong> 60</td>
<td><strong>Brazil</strong> 9</td>
</tr>
<tr>
<td><strong>China</strong> 325</td>
<td><strong>Poland</strong> 2</td>
</tr>
<tr>
<td><strong>India</strong> 180</td>
<td><strong>China</strong> -40</td>
</tr>
<tr>
<td><strong>Brazil</strong> 100</td>
<td><strong>India</strong> -20</td>
</tr>
</tbody>
</table>

Retail sales ($ bn)

<table>
<thead>
<tr>
<th>Retail sales</th>
<th>2325</th>
<th>60</th>
<th>325</th>
<th>180</th>
<th>100</th>
</tr>
</thead>
</table>

Source: CSO (India); China statistical year book; US Economics census; MGI

Exhibit: 2.9

RETAIL IS A CRITICAL SECTOR FOR ANY ECONOMY

Large share of GDP

<table>
<thead>
<tr>
<th>Large share of GDP Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA 9</td>
</tr>
</tbody>
</table>

Large employment generator

<table>
<thead>
<tr>
<th>Share of retail in employment Per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA 17</td>
</tr>
</tbody>
</table>

Development of upstream

- Processed food in India < 30% vs 50% for China and > 85% for US
- Fewer intermediaries, lower costs and lead time
- Similar transition occurred in Thailand, Argentina

Superior value to customers

- Modern formats provide
  - Lower prices
  - Greater range
  - Convenience
  - Superior ambience

Source: CSO (India); China statistical year book; US Economics census; MGI
Exhibit: 2.10

RETAIL IS THE LARGEST PRIVATE INDUSTRY IN THE WORLD ECONOMY

$ Trillion (1999)

Source: EUROMONITOR; European Chemical Industry Council; Wall Street Journal; Chemical Market Reporter; IDATE; Global Vantage
Retailing as 'the Cinderella of the Social Sciences

Interest in the study of retailing has to some extent mirrored the growth and increasing prominence of the retail industry. Retailing has emerged from a number of interrelated disciplines: geography, economics, planning and, more recently, management and marketing. In the past it has not been acknowledged as a subject area in its own right, indeed Potter described the academic study of retailing as 'the Cinderella of the Social Sciences'.

Increasingly retailing is being focused upon as an accepted area of academic debate, in part a reflection of the industry's growing importance and visibility as a contributor to national economic development. Changes in academic have also resulted in the development of the subject area. University research centers focused on retailing have become established and professorial appointments in retailing have been made. One outcome of the recognition of the study of retailing is the fact the academic journals focusing on retailing are being published as well as specific retail industry consultancy reports.

As marketing and management disciplines have become more established, degree courses specializing in retailing have been developed in North America, the UK and elsewhere within Europe - in part in response to calls from industry for significant increases in graduate recruitment in the retail sector. Although retailers may have been considered to be behind other industries in terms of recruitment, they are becoming more sophisticated as organizations and they are realizing the importance of appropriate recruitment. As a result, they are beginning to use similar procedures and offer employees employment packages that compete favorably with those of establishment blue chip organizations in the market for graduates.
Department store is one of the most powerful methods of retailing. A department store organizes its goods by departments, such as women's clothes, home furnishings, electronics, and the like.

Department stores range from collections of elaborate, fancy shops to practical outlets for ordinary merchandise. They differ from ordinary stores principally because of their size and range of merchandise.

There are a number of classes of department store, discount stores, such as Kmart, Wal-mart or Target were sometimes called junior department stores in contrast with more full-fledged stores like Sears or Macy's.

HISTORY OF DEPARTMENTAL STORES

Department stores arose in the 1870s though the exact first is not possible to determine. Both New York City and Chicago claim the title. Some argue that the Hudson's Bay Company of Canada was the first store with departments. The Hudson's Bay Company began operations in 1670, but it is not clear when it could be classified as a department store.

They sprung up along Michigan Avenue in Chicago, with stores such as Marshall Fields. In New York, pioneers were McCreary's and Abraham & Strauss.

In the beginning the departments were leased out to individual merchants, but by 1900 the smaller companies were purchased or replaced by the larger company. In some ways they were very similar to our modern malls, where the property owner has no direct interest in the 'departments' or 'stores,' other than to collect rent and provide
utilities. Today only the most specialized departments are leased out. This could include photography and photo finishing, automotive services, or financial services. But this is rare. Even the store restaurant is usually run by the department store now.

Virtually since the beginning department stores featured food courts, entertainments, specialty and seasonal kiosks. These were joined together in spectacular buildings with central atriums, with the departments arrayed around this center. The owners of the larger building usually advertised his department store as a bastion of convenience and ease, but left individual departments free to advertise themselves.

Department stores first appeared in the mid-1800s in America and Europe, as mostly dry goods stores organized by departments. Later on in the late 1800s, they added an assortment of other goods and services and soon evolved as the precursor of the modern shopping center; everything under one roof. They were thus quite revolutionary and they represented a major social innovation, not just a business one. In fact, it is fair to say that the department store was a major force in creating a culture of consumption for the world, not only in America but in Europe and elsewhere as well. As a result, it would be rather myopic if only marketing/business references were included in this list, given the tremendous influence the department stores have had on the daily lives of so many people.

Department stores have had a major influence on values and urban lifestyles, because they democratized consumption. The store layouts were such that most consumers, irrespective of their social or
economic background, would find something to their liking. They were free to enter the store without any obligation on their part to buy.

Let us not forget that many department stores were the largest importers of goods (A.T. Stewart, Marshall Field, Macy's, among others). Stewart was in fact the USA's largest importer in the 1860s. Many department stores had a large number of foreign buying offices (Stewart, Eaton's, Macy's, Marshall Field, and Wanamaker.

In brief, the department store was not only an innovation for marketing and business as a new form of retail institution but for all of society. The department store affected every facet of social and economic life.

What Is a Department Store?

A word of caution with respect to the use of the term "department store" This needs to be explained. After all, the department store really changed marketing management practices that are still with us to this very day. The history of the department store also shows the extent to which marketing is a social process.

It is worth nothing that the village shop concept blossomed under William Whiteley, known as the "Universal Provider" (Richard (1938). He is known as one of England's founding fathers of the department store. His many small shops, located in London's Westbourne Grove, is one reason why the department store eventually evolved into the modern shopping center in the mid 1900s.

The department store affected every facet of social and economic life through being a very entrepreneurial and innovative institution. The department store contributed directly and/or indirectly
(as a major change agent) to the adoption of numerous new technological innovations. Its channel impact, both upstream and downstream the distribution chain, revolutionized the retail store itself, the shopping experience, availability and assortment of goods, credit policies, price awareness, media and promotional techniques, and was a major contributor to new managerial techniques from hiring practices to inventory control procedures. In fact, the department store was perhaps the very first American business to use mechanical data processing equipment for sales analysis and other managerial needs.

The department store was one of society's most democratic institutions and was a major force toward a more egalitarian society, especially for women. No wonder many social historians firmly believe the department store liberated women and gave women their rightful place in society. The department store changed society's values in accepting that women could go and shop on their own. Before, very few places were available (such as a museum, the park, and certain leisure activities), where it was socially and morally acceptable for a woman to be seen in public on her own.

This department store as a social institution was also instrumental in the mass production and selling of ready to wear clothes, and many other household items. In fact, the department store was one of the first large businesses.

The department store evolved as the precursor of the modern shopping center with *everything under one roof*. Cities such as New York and Chicago became world famous and still are and it no coincidence that the department store built in those cities (i.e. Macy,
Marshall Field, AT Stewart) were by far the most modern, the most luxurious and the biggest stores the world had ever seen. No wonder they were called cathedrals and even palaces of consumption. Even today, Macy's in downtown New York still claims it is the biggest store in the world.

The department store emerged at a time and place in history as a result of mass urbanization and the concentration of people in centralized city core. The department store was from its inception innovative, progressive and ready to tackle new challenge.

### Table 2.1
The top 10 global Departmental Stores (Retailers)

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>US</td>
<td>Wal-Mart</td>
</tr>
<tr>
<td>2</td>
<td>France</td>
<td>Carrefour</td>
</tr>
<tr>
<td>3</td>
<td>Netherlands</td>
<td>Ahold</td>
</tr>
<tr>
<td>4</td>
<td>US</td>
<td>Home Depot</td>
</tr>
<tr>
<td>5</td>
<td>US</td>
<td>Kroger</td>
</tr>
<tr>
<td>6</td>
<td>Germany</td>
<td>Metro</td>
</tr>
<tr>
<td>7</td>
<td>US</td>
<td>Target</td>
</tr>
<tr>
<td>8</td>
<td>US</td>
<td>Albertson's</td>
</tr>
<tr>
<td>9</td>
<td>US</td>
<td>Kmart</td>
</tr>
<tr>
<td>10</td>
<td>US</td>
<td>Sears</td>
</tr>
</tbody>
</table>

DEPARTMENTAL STORE ENVIRONMENT

Various psychological and social factors often influence what products consumers’ purchase and where they purchase them. When searching for a specific product, consumers usually go to one or more of several possible Departmental stores to compare brands, prices, quality, and service. Departmental stores therefore need to focus their marketing efforts on making the desired products available and on developing a marketing strategy that increased patronage. However, consumers do not always have a specific reason for going to a Departmental stores; they may shop to escape boredom, to occupy time, to socialize, or to learn about something new. Consequently, Departmental stores must develop a stimulating and interesting environment for shopping. A Departmental store’s image and atmospherics are important aspects of consumer patronage.

The mental picture - both functional and psychological - that the consumer has of a Departmental store is the store’s image. A Departmental store must strive to develop an image that is appropriate for its target market.

Both shopper characteristics and store characteristics influence a Departmental store’s image. Shopper characteristics include demographics, lifestyle, perception, and behavior. Elderly consumers, for example, attach more importance than do younger consumers to whether the Departmental store has convenient parking and a rest area and whether it is close to other stores. Factors such as clientele, location, promotional emphasis, integrity, convenience, economy, and the clarity and strength of the existing store image constitute store characteristics. A Departmental store must understand the importance of these various characteristics in forming a Departmental store image.
ATMOSPHERICS

The physical design of a store's space to appeal to consumer's emotions and to encourage them to buy is called atmospherics. The physical aspects of department stores, restaurants, hotels, shops, and even service stations create atmospheres that might be perceived as warm, fresh, colorful, or depressing.

Atmospherics can be used in several ways when designing a store's space. One study found that color is important in attracting shoppers toward displays and providing certain aesthetic qualities that affect the image of the store and merchandise.

Other atmospheric components are sound and smell. Silence or soft music or even a noisy environment may characterize a Departmental. Stores that have a distinct scent of perfume or smell or prepared food provide a unique atmosphere. The sweet aroma of baking pastries in a grocery store may stimulate spontaneous purchases of those goods.

Management must ensure that the retail store's atmosphere is consistent with the tastes of the target market. Thus a discount department store should try to create an atmosphere of practicality and frugality, and a high-fashion boutique should strive for an ambiance of style and novelty. Some retailers adapt the atmospherics of individual departments to appeal to different market segments. Like all marketers, Departmental Stores must identify their target market and make marketing decisions to satisfy the needs of that market. When doing this, Departmental stores must realize that the store itself is a major part of there is to attract consumers inside and to turn these consumers into loyal customers by enticing them to make a
purchase. The Departmental stores do this by creating a positive Store image for the store, which is dependent on the retail mix offered by the store. Departmental stores need to be concerned with how customers perceive the in-store environment, and whether they are comfortable in it. Customers are more likely to make larger and more frequent purchases if the store's total environment is comfortable and welcoming, and encourages browsing. Factors that influence customers' perceptions include the merchandise, level of service offered by employees, fixtures, floor layout, sound, and odor.

The quality and style of the merchandise line carried by a Departmental store affect the store's status in the eyes of the consumer. Customers select where to shop for particular items according to their overall perception of the available stores; mothers might well go first to Target or Wal-Mart for children's playwear, but would probably skip over them in favor of JC Penney's or a specialty store when shopping for a prom gown.

Departmental stores seeking to be successful must also remember that they can differentiate themselves from the competition not only by having the right merchandise, but also by encouraging their employees to do a better job of satisfying the needs of their customers. There is general agreement that one of the most basic retailing strategies for creating competitive advantage is the delivery of high quality service. Good service must meet or exceed the customer's expectations. Today, Departmental stores have come to realize that offering good customer service is a primary requirement. Instead of frustrating the customer by not having the necessary stock on hand or the proper sales support on the floor, successful Departmental stores realize that customer service is a major demand-generator for their merchandise.
CUSTOMER SATISFACTION

The Word 'satisfaction' has Latin roots and literally translated into English means 'to have enough'. A customer is satisfied when she feels 'YES! I've had enough!' But what happens in the customer's mind that enables them to make a judgment about an offering? How does a customer decide on satisfaction?

Whenever a customer goes to buy a product/service, He / She goes with certain expectations. Any standard marketing textbook will tell you that the key to customer satisfaction lies in meeting these expectations. But where most standard books fall short is in giving an explanation of how these expectations are formed and the process that goes on in the customer's mind in judging customer satisfaction.

THE CONCEPT OF STORE IMAGE

The following few paragraphs is given to present a theoretical background to the development of the concept of store image and to highlight the significance of customers' image perceptions as essential inputs to gain customer preference and patronage.

The concept of 'consumer sovereignty' is an accepted principle both in the economic theory and in the marketing literature. But till the middle of this century little effort was made by either academicians or by the marketers to understand the consumers' needs, motives and behavior. Majority of the U.S. Corporations measured their marketing efficiency in terms of their sales volume, market share and profits, rather than through consumer research to investigate the sources of customer satisfaction and dissatisfaction.

47
CONSUMERS BEHAVIOR AND CUSTOMER IMAGERIES

The rise of keenly competitive market conditions, raising income, explosion of media, changing women and in family structure, new form in supply chain, the emergence of consumerism and the increasing governmental interest in consumer affairs have caused a new wave of interest to force the business community practice the principle of consumer sovereignty in the market place. Parallel to this development were (1) the transformation of the traditional 'selling' concept to the present 'societal marketing' concept and (2) the rich theoretical contributions of research implications by behavioral scientists to the field of consumer behavior.

Three consumer behavior models developed by Nicosin, Engel et al, and Howard and Sheth are noteworthy here. These models have drawn concepts from various behavioral sciences the economics, psychology, sociology and anthropology to develop insights into the 'how' and 'why' of consumer behavior.

The Nicosia model considers the buyer behavior as involving several inputs like the attributes of firm and consumers and the attitude formation by search and evaluation efforts, leading to the output of the purchase decision.

The consumer behavior model developed by Engel, Kollet and Blackwell considers consumers behavior as a process of decision-making based on perceptions, values, attitudes, personality and post-experiences. The model considers the human being as a 'system', which reacts in response to various inputs.
The Howard and Sheth model consists of (1) input and output variables, and (2) hypothetical constructs and exogenous variables. It is a dynamic model where the input and output variables are connected by certain intervening variables. This model is based on the stimulus-response learning theory. The authors believe that given a drive and the perception of cue (stimulus), the individual makes a response, which, if reinforced, leads to learning and thereby results in patronage or de patronage of a particular product, or brand, or institution.

All the three models have as their basis certain factors internal to the consumer like learning, needs, motives, attitudes, personality and perceptions. These internal factors interact with external factors like social and cultural norms, inter-personal influences and the effects of advertising and communications. The final outcome of the interaction between these two sets of factors is the consumer decision as to what to buy, where to buy, when to buy, how much to buy, from whom to buy and at what price to buy.

Much of the consumer research by the academicians so far was concerned with the overall consumer decision-making process or with the consumer motives and attitudes. Specific empirical studies establishing relationship between different inputs or between certain inputs and outputs are lacking. One specific research area, which is still in this infancy even in countries like the USA, is 'image perceptions'.

Every human action is motivated to achieve a goal. Such achievement implies customer satisfaction. As a consumer, one is engaged in several actions - all to achieve satisfaction. The process of
consumer behavior involves several inputs and outputs. In the choice of a product one's needs are influenced by (1) social and cultural norms (2) economic factors and learning (influenced by one's own past experience, word of mouth of others, advertisements). These factors jointly create certain expectations about the various attributes of products.

The product has to be viewed from what Levitt calls as 'totality' concept, which means the product is more than an 'object' in the hands of manufacturer; it is to be broadly viewed in a retail setting as an offering of a cluster of values that are important for a customer to attain 'total satisfaction' with a product has a number of attributes, some of which relating to the 'product perse' and some others relating to the store and its environment. Customer satisfaction is an outcome of the confirmation of his/her expectations with respect to all these dimensions of a product in a retail setting. Where the perceived performance of a 'product' is equal to or exceeds the customer's expectations, with respect to each of the attribute dimensions, there is said to be 'total satisfaction'; otherwise only a partial satisfaction. Where the perceived performance falls short of expectations with respect to an attribute there is said to be dissatisfaction with respect to the concerned attribute. This paradigm is postulated by Oliver, and is popularly known as 'expectation disconfirmation' paradigm of customer satisfaction.

As a customer gains experiences with a store and its products he develops attitudes about the various attributes of the store and its products. The 'learning' based on past experience, advertisement, and other communication added to his experience with the store and its products leads to image perceptions about the various attributes.
If the retailer believes in the concept of "consumers' sovereignty", he must understand and be responsive to the image perceptions of the consumer. He should know the determinant attributes, which are considered important by the consumers with respect to the stores and its products. He must be aware of the dynamic influences of both the positive and negative image perceptions of the customers. He should pattern his business policies and practices around those image perceptions with respect to the determinant attributes, since they reflect customers' personalities, beliefs, wants, needs and attitudes. The image perceptions influence store selection and store patronage intentions of the customers. In other words, the concept of image plays an important role in determining how customers perceive a store's personality.

Following the above brief discussion of the concept of image and its relevance to customer satisfaction, a detailed account of the meaning, dimensions and utility of the concept of image is given below.

The Concept of Image

The term 'image' became a subject of interest to marketers only since the early 1960s. But, despite a lot of articles on retail image studies, the rate of knowledge has not progressed very much. Part of the problem stems from the inherent difficulty of defining the concept of images itself. Characteristically, 'image' has been conceived as an intangible 'something', a vague, amorphous, virtually immeasurable phenomenon.

According to the behavioral approach, image may be defined as discriminative stimuli for an action's expected reinforcement.
Specifically, "Departmental store image" is the total conceptualized or expected reinforcement that a person associates with shopping at a particular departmental store. In terms of the above principles departmental store image at any point in time is the result of previous differential reinforcement in the context of a departmental store."

It is thus evident that an important facet of departmental store image is the person's previous experience with a departmental store. It is, "the way in which a departmental store is defined in the shopper's mind partly by its functional qualities and partly by an aura of psychological attributes". James et al define.

Store image as a set of attitudes based upon evaluation of those stores attributes deemed important by consumers. Since attitude is learned phenomenon, store image is the dependent upon an individual's experiences concerning a store. These experiences do not always directly involve the departmental store. Shopping in a departmental store is one way of gaining such experience. Exposure to the departmental store's non-personal promotional efforts, talking with friends about their experience with a store and viewing a store's display windows - all provide an individual with 'experiences' upon with his/her attitudes are formed.

Some authors also view store image as an impression, attitude, or opinion held by a customer about a particular store. It may be related to the socio-economic status of the customers, it may be the result of previous experience in that store or may be only the feeling a potential customer has about a store-people who have never entered a store or do not know its location have formed some opinion about it, based on gossip, advertisements, locals etc. Thus, departmental Store
image is a product of such subjective components as feelings, emotional reactions, intuitions, and culturally formed attitudes.

Image dimensions

The image of a shopper at a store may have different dimensions based on the attributes considered important by the shopper. When a customer buys a product to satisfy his needs, the satisfaction come from different sources, not merely from the goods purchase, as Tauber's study revealed, people's motives for shopping are unrelated to the actual buying of products. The satisfactions may come from the utility obtained from the merchandise purchased as well as from the benefits that the shopping activities provide to the customer like role-playing, social experience, communication with others, peer group attraction, Pleasure of bargaining, location, service and physical amenities. Thus, store image has at least two possible dimensions, namely, (1) Product attributes and (2) Store attributes. As Tauber had suggested, some of the non-product satisfactions offered by departmental stores may be as significant as, if not even more significant than, Product-related satisfaction in determining customer patronage.

Martineau has classified the attributes which constitute a departmental store's personality as follows: Store layout and display, styling, character of sales personnel, advertising tone, service facilities and store reputation. Dowovan and Rossiber considered store atmosphere as an important component of store image. The other factors which combine to create a departmental store's overall store image are: The Merchandise, The Departmental Store's Service, The Clientele, The Store's Convenience, The Departmental Store's Promotional activities, The Departmental Store's Atmosphere.
The most lucid presentation of retail image dimensions is given by Fisk's conceptual model in which he summarises store qualities as cognitive dimensions of a store image.

Realizing the importance and benefits of recognition of multidimensional attributes of a store, Lavitt and Drucker have urged business firms to broadly define their business from the standpoint of the consumer benefits they provide.

In a study of James et al, based on determinant attributes mentioned by the sample of respondents themselves, "Assortment", Personnel, "Atmosphere", Service", Quality" and Price" were the store image attributes selected for inclusion in the questionnaire for their study.

As the present study reveals, the store attributes in the Indian context are not different from the attributes mentioned in the foreign studies cited above, except for some items which not relevant to Indian conditions.

UTILITY OF THE CONCEPT

The image perceptions may be real or unreal. They are formed on the basis of symbols rather than on facts alone. People hardly ever react to reality alone; they are subjective feelings, or impressions more important to them. An image is, therefore, a culmination of many associations and meanings; and the problem before modern management is to determine what the company actually means to the people and then find ways of communicating the right image to them. Management's clearly believe that not only is there direct relationship between corporate image and customer behavior, but also that the
image of the company is dependent to some extent on its performance. Image research, therefore, is useful as an indicator of present performance as well as expectations about the performance of a concern by its customers.

Consumers form images about each store in the market area and therefore, every store must try to distinguish itself from other stores by means of excellent performance glaringly seen by customers with respect to vital image attributes. All the stores may have the same thing to sell in physical terms but still each store must appeal differently to suit the different tastes and expectations of various market segments.

Retailers must realise that customer images of the store differ depending on their membership in various demographic shopping practice groups. How and where store differentiation image strategy conflicts with customers' needs, is a research-worthy topic. Therefore, a necessary ingredient in the long-term marketing programme is a systematic and continuous monitoring of a store's image. This is consistent with the notion of image change is a process of tiny steps over a time period. It is also in agreement with the "systems" concept of business, which indicates the necessity for continuous feedback of environmental information.

The part played by customers' imageries concerning products and retail outlets did not attract the attention of the researchers till the middle of this century. The relevance of the concept of "image perceptions" to the study of consumer behavior in the context of retail trade, the store image dimensions and the utility of store image studies were dealt with in this chapter.
Retail is India’s industry, and arguably the one with the most impact on the population. It is the country’s largest source of employment after agriculture, has the deepest penetration into rural India, and generates more than 10 per cent of India’s GDP. However, retail is also one of India’s least evolved industries. In fact, it is not even considered a real industry. The industry suffers from lack of management talent, poor access to capital, unfavorable regulation and denial of access to best practices.

Over the last few years, there have been a number of attempts to build retail businesses. Entrants have included Indian business houses, foreign retailers through joint ventures, new entrepreneurs and government bodies. Yet, there is still no significant retail business in India today.

DEPARTMENTAL STORES IMAGE ATTRIBUTES: ITEMS ANALYSIS

This head proposes to present the results of the preliminary survey of the determinant attributes of ideal Departmental Store, followed by an item-wise analysis and discussion of the store image perceptions in the minds of a sample of customers of Coimbatore.

The basic literature on image studies being totally foreign, the dimensions of store image most salient for Indian consumers were to be identified first for the purpose of developing an instrument to measure the image perceptions of customers about the Departmental Stores, Coimbatore.

Image studies measure consumer ratings of business firms on several attributes. The attributes are assumed equality important for a company’s success. However, several studies point out that some
attributes are more important than others in determining image and patronage.

For identifying determinant attributes, Alpert proposes three approaches; namely, (1) Direct questioning (2) Indirect questioning (3) Observation and Experimentation's. Where a particular image dimensions is perceived to be not different in the various objects studied, such image dimension is not to be considered a determinant attribute.

This study on customer’s perception and preference towards departmental stores was done by a preliminary unstructured interview schedule to list the important determinant attributes of a good grocery store. Hundred respondents of different age group, educational backgrounds, and income levels were interviewed. The answer to the questions were followed up by in-depth probes to the determinant attributes of a good departmental store mentioned above were included in the final questionnaire developed for this study (These coincide more or less with the image attributes identify by the studies of Westbrokk James et al, kunkel and Berry, Rich and Portis, Weale and Fisk.) The attributes were grouped under four dimensions: I Store Environment, II Product attributes, III Personnel and, IV Service. The attributes under each of these dimensions are given below.

I. STORE ENVIRONMENT

1. Location
2. Parking facility for cycle, car and two wheelers
3. Moving space within the store.
4. Store display, and
5. Physical comforts like fans, toilet and seats
II. PRODUCT ATTRIBUTES

1. Quality of goods
2. Availability of full range of goods
3. Variety of goods
4. Correctness of weight and Measurement
5. Packaging of goods
6. Reasonableness of price

III. PERSONNEL

1. Number of Sales Person
2. Efficiency and helpfulness of sales person, and
3. Courtesy of sales person

IV. SERVICE

1. Equality of price for all
2. Acceptance of returns or exchange of goods
3. Credit Facility
4. Door Delivery
5. Facility like free gifts and price discounts, and
6. Convenient with regard to working hours
7. Billing facility

This grouping of attributes items under four dimensions has the support of similar grouping by the studies of James et al and Westbrook. However, the items were given in the questionnaire so as to avoid any possible bias in the minds of the respondents.
Outline of top Departmental stores across the globe

J C Penny

The J C Penny Company was one of the first few specialty stores in the world and commenced operations in Kemmerer Wyoming in 1902. Known as the "Golden Rule", James Cash Penny believed that an ethical yardstick should apply in business as well as in personal life. The store initially stocked both apparel and novelty goods for men, women and children. All sales were in cash and the company did not offer credit to its customers. Penny had considerable expertise in the design and purchase of soft goods as well. By the late 1950s, J C Penny emerged as one of the most profitable retailers in North America in spite of the fact that its target market was mainly confined to small towns. Its main street locations, Penny sold staple soft goods including underwear, socks, basic clothing, sheets and tablecloths, among others at low prices with minimal service. In the mid-1980s, however, the company restructured its image to become a fashion-oriented department store chain with its emphasis on men's and women's apparel, and the company decided to reduce the emphasis on hard goods. In 1988, Penny's apparel stock comprised about 82 per cent of its total merchandise mix. This is one retail company throughout the world that has held its own through the ages despite being among the earliest organized retailers in the world.

WAL-MART

Wal-Mart, a name we are all familiar with even in India, is not just a retailer but also truly an institution of its own. The hitherto American retail giant, is undoubtedly the largest and the most successful retail company the world has ever witnessed. In 2002 for the first time in its history it has been declared the
largest organisation in the world according to Fortune with a turnover of US$ 220 billion beating Exxcon Mobil and all other conglomerates globally. The company currently has over 1900 Wal-Mart stores and 565 Wal-Mart super centers apart from the over 450 Sam's Club Warehouse Stores and even this number has been rapidly increasing at the rate of almost one new store every day in some location of the world. Sam Walton, the founder of Wal-Mart was declared the richest man in America in 1985 and even to this day, long after his death, the rest of the Walton family are stated to be among the 10 wealthiest families in the world. It is believed that they have created over US$ 20 billion of family wealth within the last 40 years only since the inception of the company. Wal-Mart Stores, Inc. is the world's largest retailer and the largest company in the world based on revenue. In the fiscal year ending January 31, 2004, Wal-Mart had $256.3 billion in sales and $8.9 billion in income. Forbes magazine points out that if Wal-Mart were its own economy, it would rank 30th in the world, right behind Saudi Arabia.

His commitment to providing his customers greater value for money and his philosophy of partnership still remain the cornerstones of the success of Wal-Mart even after his death. What is most intriguing is the fact that while there were many chain store retailers operating for much longer periods of time, Wal-Mart which started with only one store about 40 years ago, has now become the world's largest retailer with over 3000 stores, and an annual sales of over US$ 137 billion and 900,000 employees who are treated as partners of the company.
In 1945 that Sam Walton actually ventured out on his own for the first time in his life by buying a 'Ben Franklin' variety store franchise in Newport, Arkansas. When his landlord refused to renew his lease in 1950, Walton re-located to Bentonville, Arkansas and opened a 'Walton 5 & 10'. The location still remains the corporate headquarters of Wal-Mart Inc, in spite of the company becoming the largest retailer in the world today. By 1962, Walton's business had grown to five stores, by which time Wal-Mart had created a firm corporate strategy to offer branded merchandise at discounted prices to small communities. Walton truly believed that the key to success was people: his customers and his employees called 'associates.'

With annual sales of over US$ 200 billion, Wal-Mart is today the largest retail merchant on the planet. The Company has always believed in providing quality merchandise at the lowest possible retail prices and this philosophy has till this day been the secret of its unprecedented success. In fact Wal-Mart's competitors have always been baffled by how the company is able to maintain its high standards of service and facilities, and still be able to offer the most competitive prices. The tremendous effect that this policy of Wal-Mart had on the retail industry at large is evident from the now very famous lawsuit, which was initiated against the retail giant. The suit was related to charges against Wal-Mart for deliberately engaging in price-cutting to drive the smaller competitors out of business. However, after a very long and tiring round of litigation which lasted a couple of years, the Arkansas Supreme Court finally ruled in favour of Wal-Mart. It held that the cost benefit to the public at large on account of superior technology was in no way an indication of unfair trade practices.
However, despite its aggressiveness and phenomenal success in the domestic market, Wal-Mart as a company had never been as aggressive as some of its competitors in terms of overseas expansion. However, the company’s policy in this regard has lately seen a drastic change and a far more aggressive approach in this area in the more recent past. In fact so aggressive has been its entry into some of the overseas markets that it has often given the impression of being a company in a hurry...hurry to gobble up anything that it can lay its hands on. The company started its first international store in Mexico in the year 1991 and since then has developed a sizeable presence in many other countries like Canada, China, Puerto Rico, Brazil, Germany, Argentina and South Korea as well. In fact its recent takeover of Asda in Europe sent shock waves throughout the retail fraternity in Europe. The deal which was worth US$ 11 billion is stated to be the biggest takeover in the history of retailing and the effects of this were obvious so soon after the announcement was made, that the share prices of all the other major retailers throughout Europe took a terrible beating at the stock markets.

The philosophy of Sam Walton in which he believed very strongly has been a sense of inspiration not only for Wal-Mart but also for many other retailers throughout the world. Some of his famous beliefs, which were considered a key to his success, are as follows:

- "Our goal in business has always been to be the very best. We believe completely that in order to be the very best you’ve got to make a good situation and put the interests of your associates first. If we really do that consistently, they will in turn cause our business to be successful."
"Everyone needs as much exposure to as many areas of the company as they can get, and I think that the best executives are those who have touched all the bases and have the best overall concept of the corporation."

"It is amazing what the most simplest and youngest of associates can do within organisations only if they are motivated well."

"Take good care of your employees so they in turn could take good care of your customers."

He also believed very strongly in the 10 rules which he felt are absolutely essential for succeeding in the retail business:

1. Commitment;
2. Profit sharing;
3. Motivating partners;
4. Maximising communications;
5. Appreciating contributions;
6. Celebrating success;
7. Listening to people;
8. Exceeding customer expectations;
9. Controlling Expenses; and
10. Swimming upstream.

Number of Wal-mart stores

As of July 2004, in the United States, the company operated a large number of stores

- 1,409 Wal-Mart stores,
- 1,562 Super centers,
- 539 Sam’s Clubs, and
- 70 Neighborhood Markets
As of December 2002, these stores employed 1,383,000 people. Outside of the U.S., the company operates stores in Mexico (626 stores), the United Kingdom (269, mostly ASDA supermarkets), Canada (236), Brazil (144), Germany (92), and Puerto Rico (54). Walmart also has between ten and fifty stores in Argentina, China, and South Korea.

David Jones

David Jones is the second largest department store chain in Australia. Its flagship store is located in the heart of Sydney, with two locations across the street from each other on Market St.

David Jones was founded in 1838, and is believed to be the oldest department store in the world still trading under its original name. It currently has thirty stores throughout Australia retailing fashion, cosmetics, homewares and other general merchandise. It is seen as a more up market department store than its main rival Myer.

MASTER OF THE ONLINE SUPERMALL

Amazon.com could well go down in history as a love child born of the heady fling that the stock market had with dotcoms in the late 1990s. But the company, founded by Jeffrey (Jeff) Bezos in July 1995 when the Internet was still an untested business medium, is a survivor-par-excellence. It floundered a bit in the swirl of the dotcom bust, but unlike thousands that were swept away, Amazon.com reinvented itself and emerged stronger.

Bezos, from Princeton University, is the pioneer of Internet Retailing. His compelling vision introduced a new paradigm for retail, the click-and-buy model: buy goods from a website instead of a
physical store, from wherever there is an Internet connection: home, office or cyber café. A model that gave convenience to buyers, and mind-boggling market reach to sellers.

Named after the mighty Amazon river and its numerous tributaries that surge through dense rain-forests, Amazon.com was started with an initial investment of a few thousand dollars. In less than three weeks after the website went live, Bezos and his wife Mackenzie were pulling in sales of over $20,000 a week. And soon after going public in 1997, the company had a market capitalization higher than that of its brick-and-mortar rivals. In 1999, Bezos was chosen as Time magazine's 'Person of the Year'. But things changed soon after and the dotcom bust saw Amazon.com lose almost 90 per cent of its market cap in 2000.

Bezos didn't give up on his vision. He set about transforming Amazon.com from a website selling books into something much bigger: the world's largest online retailing platform. A series of tie-ups with companies like Toys R Us and Target helped give the website the feel of an online super mall where a customer could buy almost anything. Marketing initiatives followed - from free shipping to highly discounted prices. But the biggest move was Bezos' decision to make the site 'more global'.

The moves have paid off. The company announced its first full-year profit in 2003. It has been making money now for three straight quarters and revenues have exceeded a billion dollars for the last six quarters. If proof was needed that there is money to be made in online retailing, this is it. And Bezos has proved that the right idea, coupled with perseverance, pays in the end.