CHAPTER 6

Modern Retail Formats & Franchises
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6.1 INTRODUCTION

This chapter throws light on Retail Organisation, Retail Ownership and Independent Retail. It also explore the Multiple Retailers and franchises in Retailing. The different approaches to classifying a retail business point to the complexity of the retailing industry which includes many variations of storebased and non storebased forms of Retailing. Some modern retail formats describe for easy understanding. With this concern there has an opportunity to discuss the prospects and possibilities of Retail Marketing and which has effectively included in this chapter.

6.2 RETAIL ORGANISATION

Retail organizations come in a whole variety of shapes and sizes. Having defined the process of retailing in the preceding unit, the aim of the unit is to present the diversity of the retail industry in term of the variety of outlets used for the retailing activity. Retail outlets can be quite different in term of the ownership of the retail business itself, the characteristics of the premises used (the format) and the orientation of the product range. Some types of retailing have been with us for over a century, while new kinds of retail outlets emerge and develop, offering the consumer a constantly evolving choice of shopping arena which embraces an enormously wide range of businesses.

Many large retail organizations have branched off into alternative approaches to ownership, format and product orientation. It is a part of their growth and development. So, an understanding of the scope of each of these facets of the retailer is a starting point for becoming familiar with the retail industry as a whole.

6.3 INDEPENDENT RETAILERS

An independent retailers means a small scale retailing business. The store may offer a specialized product range, such as a butcher or a greengrocer, or a wide variety of product items as in a village store. They can be located almost anywhere; from single sites to shopping centers, and while the majority of independent retailers operate out of physically small stores, there are still a number of independent department store business in Edinburgh, which is run by the descendants of James Kennedy who managed the business in 1881, same holds true of Chandni Chowk and Sadar Bazar in Old Delhi where families still run retail business which were started in mid 1800’s.
At one time independent retailers accounted for the greatest section of retailers operating in any market sector, however many have found it impossible to implement survival strategies, such as reoriented product ranges or niche marketing.

6.4 MULTIPLE RETAILERS

Most high street retailers fall into the category of the multiple retailers. Private multiple retailers are sometimes family-owned and run businesses, and allow for a greater degree of personal operational control than in a publicly owned business. The size of the business will be related to the number of branch stores and the size of those stores. A small multiple retailer is one which runs between 10 and 50 stores, after which is termed a large retailer. Nevertheless, the multiple retailers has been the success story of retailing in the later part of the twentieth century, resulting in a concentrated industry dominated by large and powerful corporate entities. A chain store is also can be called as multiple retailers.

6.5 RETAILING FRANCHISES IN INDIA

It does provide a method by which retailers can expand a successful formula very fast without the need for high levels of investment, and it offers outlet managers more autonomy as they are essentially running their own business. Franchising was used extensively in the 1980s by retailers such as Body Shop and Tie Rack to expand both domestically and internationally, although both of these companies have bought back a number of their franchised outlets in order to facilitate modernization programmes. It is successfully used in multiple food retailers. In India, successful Franchises have been NIIT, APTECH in IT education, Café Coffee Day and Barista in Coffee Bar segments.

6.6 RETAIL FORMATS

Many large retail organizational have grown using a particular retail format. The particular format used, to a certain extent, can be considered to be part of a successful strategy for that retailer, and by adopting a successful format and repeating it on a geographical spread, the retailer obtains economies of scale, efficiency and a strong identity. Therefore, an understanding of the different retail formats used is important for gaining an understanding of a successful retail strategy.
Store-based Formats

There are so many store based formats which running successfully today. The detail explained is required for better understanding.

- **Departmental Stores**: It is the very old format of large type of stores. This format emerged in the early nineteenth century as a way of offering a collection of personal and home furnishings goods under one roof to the increasingly discriminating and affluent Victorian middle-class customers. They are still a powerful presence in today’s retailing landscape, providing the focus for shopping centers around the world. It is also a multi level store.

- **Variety Stores**: In this type of store large varieties of goods in one roof. In terms of describing large stores, the boundaries of definition are becoming increasingly blurred. Some variety stores like the larger Marks and Spencer stores are becoming very much like department stores, as increased space allows the width and depth of the product range to be expanded. In contrast, some department stores traded down as a survival strategy in the late 1980s and early 1990s, leading to the evolution of the ‘discount department store’.

- **Specialist Stores**: Even though the department store may be called as specialist store. However, this store targets a narrowly defined customer market segment. Specialist retailer is not only sale goods, many of them provide services to consumers.

- **Convenience Stores**: The convenience store concept has been the saviour of many small retail businesses who have seen their trade taken away by large grocery orientated multi-outlet retailers. By adapting to provide an emergency, impulse purchase and top-up service, many small retailers have found a living with a product range that is reoriented towards convenience.

- **Supermarkets and Hypermarkets**: Supermarkets, a store concept have been a highly successful retail format. The real advantage that the supermarket offered the customer was self-service, and therefore a much faster method of shopping. Instead of requesting products over a counter, the supermarket allowed the customer to get involved with the product prior to purchase. The ability to peruse the product offering, try new products and impulse purchase, appealed to the increasingly affluent postwar customer. In addition, the space and labour-saving factors allowed retailers to offer a wider choice of product at lower prices. The supermarket was therefore quickly adopted as the principal method for acquiring every day goods.
Supermarkets now dominate the retail industry. They have grown into superstores, offering more and more products, adapting changes to provide the most convenient method of shopping for the majority of household goods for the majority of households.

- **Discount Stores**: Discount stores can be extremely minimal in terms of store environment and service, but a synthesis of the discounter and the specialist chain store has emerged in the form of the value retailer, who combines carefully planned product ranges, good service and store layout with an everyday low pricing policy.

- **Factory outlets**: A close relative of the discount store is the factory outlet. It gives manufacturers and retailers an opportunity to sell off unwanted merchandise without damaging the image of the main product or retail brand, and allows accessibility to customers who might not normally be able to afford the brands, or who are motivated by bargains. Factory outlet may be single-site retailers, or they may be located on one of the growing number of factory outlet villages.

### Non Store Formats

The opportunities for consumers to purchase products using a method that does not include a store at all have increased dramatically in recent years. In particular, growth has been significant in direct mail retailing and internet retailing. The great opportunity is to offer the consumer a higher level of convenience in the shopping process, in that shopping can be done at home, or in the case of internet shopping, from the office or via a handheld device.

- **Mail Order**: Mail order retailers rely on printed media as the basis for their format. Catalogues are sent to consumers who order from the catalogue either by telephone, by post or online. In agency mail order, the consumer is offered the chance to order on behalf of friends and family, and to obtain a commission those sales, but increasingly catalogues are issued on a direct basis whereby customers simply order for themselves and their families.

- **Direct selling**: Direct selling is the term used to describe one-to-one proactive offers from producers to consumers, and may take the form of direct mailing, telesales, and personal retailing. It would also include any approaches made to individual consumers via the internet. Direct mail is increasingly being used as part
of a direct marketing strategy that builds on one-to-one relationships between goods and service sellers and their database captured customers.

- **Personal Retailing:** Personal approaches are perhaps the oldest form of retailing, grounded in the activity of the peddlers who travelled from house to house with their wares. Door-to-door selling is rarely seen nowadays, but more organized approaches to direct selling have emerged. The party-plan formula is one example of this type of retailing, used successfully by companies. Sellers not only earn commission on sales, but also on the people they persuade to join the organization.

- **Technology-based Retailing:** Like most aspects of life, retailing is heavily influenced by technological developments. The ways in which technology has changed retail operations are discussed in a later retail technology unit, but these are generally concerned with the improvement of the service that traditional retail formats can offer to the customer. The issue that is currently uppermost in every retailer's mind is the impact that technology is having on the shopping process itself. We are beginning to experience a fundamental change in the way in which we shop, and this change is being driven by technology.

- **Telesales:** Another well-established method of retailing that is based on the application of technology is telesales, where product offerings are made by a personal telephone call from a seller to a consumer. Regarded by many as intrusive, telesales has a further, serious disadvantage of not being able to provide any product representation, and therefore its usefulness in many product categories is extremely limited. However, the telephone is a common method of consumer response to non-store retail offerings and so with call centers playing an increasingly major part in many retail transactions, the telephone is an important part of both inward and outbound communications between customers and retailers.

- **TV Shopping:** The starting form of shopping with the help of TV. It is the retailing method suffer from the same product presentation drawback as telesales.

- **Internet Retailing:** It is a sophisticated and interactive medium of retailing. In this format the way of accessing consumers is different. The consumers were attracting on internet. The retailers sales their product on internet and accept the payment. After words they supply the delivery of goods over the consumers address.
6.7 MODERN RETAIL FORMATS

India has been witnessing a rise in various formats in the past few years. Although traditional retail formats such as Kirana Stores, grocery stores and so on still exist in the market, modern retail formats are growing in importance for the FMCG marketers. This is because of availability of wide product and service range. This is also because of increase in awareness among the consumers. In fact today most of the shopping areas are central business locations and prime retail streets in suburbs. On the other hand, a major share of the Indian population is still put up in rural India. Consumer today may shop for product and service with a variety of retailers.

The modern retail is also referred to as organised retail. The evolution of traditional retail into modern retail is important in a developing nation like India. Nowadays, there is a proportionate decrease in number of small stores. The retail industry in India has undergone some tremendous changes in the last decade. Modern retail formats have become an integral part of the retail market. All thses retail formats are trying in their unique way to provide a wide array of choice of quality products and the right ambience for shopping. The modern retail formats generally tend to achieve economics of scale and scope to complete and remain profitable, thus need to offer variety and assortment. Indian retail market is quite comfortable for the growth of modern retail formats. The examples of modern retail format design in figure 6.1

![Figure 6.1: Examples of Modern Retail Formats](image-url)
Hypermarts/supermarkets: Large self-servicing outlets offering products from a variety of categories.

Mom-and-pop stores: They are family owned business catering to small sections; they are individually handled retail outlets and have a personal touch.

Departmental stores: are general retail merchandisers offering quality products and services.

Convenience stores: These are located in residential areas with slightly higher prices goods due to the convenience offered.

Shopping malls: The biggest form of retail in India, malls offers customers a mix of all types of products and services including entertainment and food under a single roof.

E-trailers: These are retailers providing online buying and selling of products and services.

Discount stores: These are factory outlets that give discount on the MRP.

Vending: It is a relatively new entry, in the retail sector. Here beverages, snacks and other small items can be bought via vending machine.

Category killers: Small specialty stores that offer a variety of categories. They are known as category killers as they focus on specific categories, such as electronics and sporting goods. This is also known as Multi Brand Outlets or MBO's.

Specialty stores: These are retail chains dealing in specific categories and provide deep assortment. Mumbai's Crossword Book Store and RPG's Music World are a couple of examples.

6.8 PROSPECTS & POSSIBILITIES

It is observed that modern retail marketing has contributes to economic development, employment generation and change in lifestyle at urban as well as rural areas in India. So prospects of retailing and its modern retail formats is good. Considering these things can be happen in India, if there will be opening of new retail formats at different corners of the country.
6.9 MERCHANDISING

The formulation of retail game plan largely depends on the strategic goal of the retail organisation. The term merchandising is used to describe many aspects of planning and presentation of stock. It also explains the various intermediate stages, which a product has to undergo, while passing from source of origin to the end user. It involves planning, locating and buying display of merchandise.

Retail must have a suitable quantity of floor space and appropriate merchandising for the business and location at a right place. While planning merchandising strategies location is important. While in characteristics merchandising should be Impulse, Convenience, Shopping and Speciality. The right type of merchandise, the right quantity and at the right frequency for your customers, are important for achieving success in retail business.

6.10 FRANCHISING

Franchising is both interdisciplinary and multidisciplinary. It is perhaps, most frequently described as one of several types of marketing activities, such as retailing and wholesaling. It has also been classified as a form of strategic alliance or contractual relationship. It is also to demonstrate the application of a widely used business theory to the franchise format.

It is a continual relationship in franchiser grants to the franchisee business right to operate or sell a product. The concept of a franchise network as an organisation. There is a general impression among lay people that, franchising is primarily a means by which a retail organisation can obtain financing to increase market penetration and geographic coverage.