CHAPTER - III

THE RETAIL SECTOR IN INDIA AND ABROAD
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INTRODUCTION

Retailing is the final stage in the distribution process, in which the retailer as an intermediary collects an assortment of goods and services from various sources and offers them to the customers. It occupies a predominant position in the economics of all modern societies as it is often stated that the only thing which is constant in retailing is change and it is certainly true that the pace of development within retailing appears to be accelerating. The traditional form of independently owned small business and cooperatives have lost significant market share.

In developed economies, the retail sector is now characterized by large scale multiple chains run by powerful and sophisticated organizations like Bazaars and Kendriya Bhandar in New Delhi, Sarkari Bhandar in Mumbai, Spencer Plaza, Nilgiries in Chennai etc. As progress moved across America in the late 1800’s and early 1900’s, millions of men and women opened main street stores. The first half of the twentieth century saw the arrival and the growth of large retail giants. This new group of discounts stores redefined value and the varieties with low price and wide inventories. Though the arrival of super markets in India was a bit late but they are fast becoming a range among the retail enthusiasts.
The tremendous growth of organized retail formats is mainly due to the change in the consumer’s behaviour\(^2\).

Retailing encompasses the business activities involved in selling goods and services to their consumers for their personal family or household use. It includes sale to the final consumers ranging from cars to apparel, to meals at restaurant, to theater tickets\(^3\). Retail is the largest private industry in the world with total sales of \$6.6T trillion. This industry accounts for 8 per cent of the GDP in the western economies and has generated an 18 per cent return for shareholders between 1994 and 1999 as compared to banks while generating a 9 per cent return and insurance, which generated a 15.2 per cent return. The fact that the largest corporation in the world, Wal-Mart is a retail chain, confirms the significance of the industry\(^4\).

**Retail Sector Abroad**

Hudson’s Bay Company in Canada was the first store to include departments; however, by modern standards, it would not be considered a department store because of the size and range of items that were stocked. The same may be said about Gostiny Dvor in St. Petersburg, which opened in 1785 and should probably be regarded as one of the first purposely-built shopping malls in the world, as it consists of more than 100 shops covering an area of over 53,000 sq.mt\(^5\).
The first true department store was founded by Aristide Boucicaut in Paris. He founded Le Bon Marche in 1838, and by 1852 it offered a wide variety of goods in “departments” inside one building. Goods were sold at fixed prices, with guarantees allowing exchanges and refunds. By the end of the 19th century, George Dufayel, a French credit merchant, had served up to three million customers and was affiliated with La Samaritaine, a large French department store established in 1870 by a former Bon Marche executive.

The oldest independent department store in the world, is ‘Austin’s’ in Derry, Northern Ireland, which has maintained its original position on the ‘Diamond’ in Derry’s city center since 1830.

As Le Bon Marche evolved into a full-fledged department store in the early 1850s, Delany’s New Mart was opened in 1853 in Dublin, Ireland at Sackville Street (now O’Connell Street). What made Delany’s different from most department stores of its time was its purpose-built nature; unlike others it had not evolved gradually from a smaller shop on site. Constructed to a lavish standard on the city’s principal street, it was designed to rival the biggest and best in Europe. Acquired by the Clery family in the late 19th century, both the store and Imperial Hotel located in its upper floors were completely destroyed in the 1916. However, the store reopened in 1922, this time across numerous floors, as the famous
Clery's department store that stands today, housed in a striking modern neoclassical building based on Selfridges of London.

Lewis's (United Kingdom) may have been the first most progressive department store group. By 1856 it had the largest stores in the provinces of the UK and had brought the idea of department selling across the country. It started in Liverpool in 1856 catered for all classes aiming to have the highest quality and lowest prices. David Lewis may have been the catalyst to make tea easily available to the working classes. (Lewis’s 2/ tea). It did this by buying the tea direct from the shippers from its home in Liverpool and cutting out the middle man. Lewis’s also experimented the new ways of advertising. In New York City, in 1846, Alexander Turney Stewart established the “Marble Palace” on the east-Broadway, between Chambers and Reade streets. He offered European retail merchandise at fixed prices on a variety of dry goods, and advertised a policy of providing “free entrance” to all potential customers. Though it was clad in white marble to look like a Renaissance palazzo, the building’s cast iron construction permitted large plate glass windows.

Since 1856 it had stores in Manchester (1877), Liverpool (1856), Birmingham, Glassgow, Liverpool (The Bon Marche), Leeds, Hanley, London (Selfridges), Bristol and Leicester. The group’s first and final
store, in Liverpool, went into administration in 2007 and was purchased as a growing concern by Vergo Retail Limited, enabling the store to continue trading under the Lewis's brand.

In 1858, Rowland Hussey Macy founded Macy's as a dry goods store. Benjamin Altman and Lord and Taylor soon competed with Stewart as New York's first department stores, later followed by "McCreary's" and, in Brooklyn, "Abraham and Straus".

In 1862 Stewart built a department store on a full city block at Broadway, 9th Street, Opposite Grace Church, with eight floors and nineteen departments of dress goods and furnishing materials, carpets, glass and china toys and sports equipment, ranged around a central glass-covered court. Within a couple of decades, New York's retail center had moved uptown, forming a stretch of retail shopping from "Marble Palace" that was called the "Ladies' Mile".

Similar developments were under way in London, Paris and Chicago, where department stores sprang up along State Street, notably Marshall Field and Company, which was the second-largest department store in the world prior to converting to Macy's.

On March 1, 1869 Zion's Cooperative Mercantile Institution was opened in Salt Lake City as a new community store that became the first incorporated department store in America in 1870. A new 3-storey brick
and iron store was built in 1876, noted for its unique architecture and striped awnings. This store was replaced by an enclosed shopping center in 1973, and the new Zion department store preserved the gilt-edged ornate façade of the old store. In 1999, the May Department Stores bought a 14 storey building and subsequently May Department Stores completed a merger with Federated Department Stores and the Meier and Frank brand stores have become Macy’s stores, effective from late 2006\(^7\).

In 1881, Joseph Lowthian Hudson opened a small men’s clothing store in Detroit. After 10 years he had 8 stores in the Midwest and was the most profitable clothing retailer in the country.

By 1890 a new world of retailing had been created. General stores eventually became department stores as small towns became cities. The most prominent department stores emerged from small shops. The department store is largely responsible for the standard store design seen today. Because of its size it required new building materials, glass technology and new heating, amongst other architectural innovations. The store layouts made shopping easier for consumers regardless of their social or economic background. The department store also offered new customer services never before seen such as restaurants, restrooms, reading rooms, home delivery, wrapping services, new types of merchandise displays and so forth\(^8\).
In 1893 they began construction of the immense department store at Gratiot and Farmer streets in Detroit. The 25-story tower was added in 1928, and a 12-story addition in 1946, giving the entire complex 49 acres of floor space. In 1954, the company became a pioneer suburban shopping center when it built Northland 13 miles northwest of Detroit. In 1969, it merged with the Dayton Corporation to create Dayton-Hudson headquarters in Minneapolis. George Dayton had founded his Dayton's Daylight store in Minneapolis in 1902 and the AMC cooperative in 1912, built the Southdale Shopping Center in 1956, and started the Target discount store chain in 1962. The new corporation closed the flagship Hudson department store in downtown Detroit in 1983, but expanded its other retail operations. It acquired Mervyn's in 1978, Marshall Field's in 1990, and renamed itself the Target Corporation in 2000.

Some department stores leased space to individual merchants, similar to the changes in late 17th century London, but by 1900 the smaller merchants were purchased or eventually replaced by the larger companies. In this way they were very similar to our modern malls, where the property owner has no direct interest in the actual department store itself, other than to collect rent and provide utilities. Now-a-days, only the most specialized departments are leased out, such as photography, photo finishing, automotive services or financial services.
However, today this is rare, as most departments — even a store’s restaurant — are usually run by the store itself.

Before the 1950s, the department store held an eminent place in both Canada and Australia, during both the Great Depression and World War II. Since then, they have suffered from strong competition from specialist stores. Most recently the competition has intensified with the advent of larger-scale superstores. Competition was not the only reason for the department stores’ weakening strength; the changing structure of cities also affected them. The compact and centralized 19th century city with its mass transit lines covering on the downtown was a perfect environment for department store growth. But as residents moved out of the downtown areas to the suburbs, the large, downtown department stores became inconvenient and lost business to the newer suburban shopping malls.

**Department Stores in Foreign Countries**

**Argentina**

In Buenos Aires, upscale department stores came during the early years of the 20th century. Gath and Chavez opened in 1905 and Harrods Buenos Aires was established in 1912. Today, the Chilean department store Falabella is one of the most prominent in the country, with branches in Buenos Aires, Cordoba, San Juan, Mendoza, and Rosario.
Australia

Although there were a number of department stores in Australia for much of the 20th Century, today Myer and David Jones, located nationally, are practically the national department stores duopoly in Australia. Other retail chain stores such as Target, Kmart and Big W, also located nationally, are considered to be Australia's discount department stores. Harris Scarfe though only operating in four states and one territory, is a department store using both the large full-line and small discount department store formats. Most department stores in Australia have their own credit card companies, each having their own benefits while the discount department stores do not have their own credit card rights.

Canada

From its origin in the trade, the Hudson's Bay Company is the largest department store operator in Canada, and the oldest corporation in North America, with locations across the country. It also owns Zellers, another major Canadian department store. Other department stores in Canada are: Sears Canada, Walmart Canada, Canadian Tire and Holt Renfrew. Historically, department stores were a significant component in Canadian economic life, and chain stores such as Eaton's, Spencer's, and Woodward's were staples in their respective communities. Department
stores in Canada are similar in design and style to department stores in the United States.

**Chile**

Although relatively small, the domestic Chilean retail market has proved fiercely competitive with several department stores sprouting in Santiago and then expanding north and south of the country. Leading department stores today include Falabella, Ripley, Almacenes Paris, La Polar, Sodimac, Johnson's, and Corona. Fallabella, founded in 1889, has opened branches in Argentina, Colombia, and Peru, with Paris-its main Chilean competitor-coming on its heels\(^{11}\).

**China**

Department stores first appeared in China at the beginning of the 20\(^{th}\) Century, the concept said to be introduced by expatriate on these living in Australia. Before 1949, there were four main department stores in Shanghai: Wing On, Sincere, Sun Sun and Yar Sun; the first two still exist today.

During World War II patriotic sentiment in China had led to the formation of a number of department stores specializing in locally-made merchandise. These types of stores became the mainstay in China after the formation of the Communist state in 1949\(^{12}\).
Both types of department stores have long had branches in Hong Kong; however Japanese department stores began to appear in the 1960s, and within a generation's time became the dominant force in the market. The Asian financial crisis of the late 1990s had resulted in the closures of some of these stores, but on the whole Hong Kong still has one of the world's most competitive retail markets.

**El Salvador**

- Carrion
- Dorian's, Mexican Department stores present only in Mexico and El Salvador
- Siman

**Finland**

The most famous department store chains in Finland are Stockmann, a listed company, and Sokos, owned by a nation wide retailing cooperative. The Stockmann department store in central Helsinki is the biggest department store in the entire Nordic countries and a famous landmark of Helsinki.

**France**

France's major department stores are Galeries Lafayette and Le Printemps, which both have flagship stores on Boulevard Haussmann in Paris and branches around the country. Part of the same group as Galeries
Lafayette, the BHV (Bazar de l’Hotel de Ville) has a more mid-market clientele. The oldest department store in France (and may be in the world) is still Le Bon Marche in Paris. La Samaritaine was bought by LVMH and closed in 2005.

**Indonesia**

Indonesia’s largest department store chain is Ramayana with over ninety branches across the country. The same group also operated under Robinsons and Cayaha (acquired in 1990s), all targeting the lower income sectors. Other local department store is Matahari, now owned by Lippo Group. The group previously managed to trade under Mega M, Galeria and Walmart brands, all of which have been progressively closed. Soon, the group will be opening the first Parisian Department Store in Indonesia. The middle up segment is mainly occupied by Metro Department Store originated from Singapore and Sogo. In 2007 saw the re-opening of Jakarta’s Seibu, poised to be the largest and second most upscale department store in Indonesia after Harvey Nichols, which will be opened in 2008 at the same shopping center.

**Iran**

Iran’s largest and newest department store chain is Shahrvand with fourteen stores, all located in Tehran. The other chains are Refah and Seppah which have stores throughout the country.
Ireland

Originally the Republic of Ireland had two department stores, Clerys and Arnotts, the latter considered to be one of the five largest stores in Britain and Ireland. However several large retailers now own chains of department stores, such as:

- Debenhams
- Dunnes Stores
- Marks and Spencer

The most upmarket chain is undoubtedly Brown Thomas, founded as a haberdasher's in 1849 on Dublin's Grafton Street. The company (which belongs to the same group as the UK's Selfridges or Canada's Holt Renfrew) bought its long time competitor across the street, Switzers, in 1995. BT then moved to the larger site. It also acquired and re-branded the former Switzer stores in Cork (formerly Cash's), Limerick (formerly Todd's) and Galway (formerly Moon's).

Japan

Some of the largest department stores in Japan include Daimaru (J.Front Retailing), Hankyu (H2O Retailing), Hanshin (H2O Retailing), Isetan (Isetan Mitsukoshi Holdings), Marui, Matsuzakaya (J.Front Retailing), Matsuya, Mitsukoshi (Isetan Mitsukoshi Holdings), Printemps Ginza, Seibu (Millennium Retailing), Sogo (Millennium Retailing),
Takashimaya, Tobu, and Tokyu (109). Many are owned and operated in conjunction with private railway companies. Recently, business integration has been successive\textsuperscript{14}.

**Germany**

In Germany there are a number of department stores. There are three big department store companies, karstadt (part of Arcandor GG, also operating the KaDeWe and two Wertheim department stores in Berlin and the Alsterhaus in Hamburg), Hertie and Kaufhof (part of the Metro AG). There are also some smaller independent department stores. Some department stores only sell clothing. The biggest clothing department store chain is Cand A. Larger department stores in Germany usually contain a self-service restaurant, clothing departments, a toy department, a department for computer and electronics, a small book department (for bestsellers), a department for newspapers and magazines and a food department (like a supermarket).

One of the most famous department stores in Germany is the Kaufhaus des Westens (KaDeWe, German for department store of the west) which is located in Berlin.

**Kuwait**

The most well-known department store in Kuwait is Villa Moda
Malaysia

Since the 1980, Malaysia has opened its doors to many foreign chains, such as Tesco, Carrefour, Aeon (JUSCO), Makro, Sogo, etc. All of these foreign stores must join ventures with local partners.

Many of home grown department store chains include Parkson, Giant, Metrojaya, Cold Storage, Sunshine (SuiWah), The Store, Kamdar, Mydin, Dua Puluoh Sen (DPS) etc.

According to the Malaysian chart, Dua Puluoh Sen has increased their quality of standard which lead them gaining market share in the retailing industry in Malaysia. This had made DPS the leading department store in Malaysia and also South East Asia.

Mexico

Mexico has a number of department stores, including the Mexican chains Liverpool, El Palacio de Hierro, Suburbia, Sanborns, Sears Mexico. There are also foreign stores such as JCPenney

New Zealand

In New Zealand, there is only a few select department stores that are popular amongst New Zealanders, most people preferring malls or botiques. The most prominent chains are The Warehouse, Farmers and Kmart, but smaller, more upmarket department stores such as Smith and
Caugheys exist, but the only store is in Auckland, and caters to an upscale crowd.

Panama

Panama’s first department stores such as Bazaar Frances, La Dalia and La Villa de Paris started as textile retailers at the turn of the nineteenth century. Later on in the twentieth century these eventually gave way to stores such as Feliz B. Maduro, Sarah Panama, Figali, Dante, Sears, Gran Morrison and smaller ones such as Bon Bini, Cocos, El Lider, Piccolo and Clubman among others. Of these only Felix B. Maduro (usually referred to as Felix by locals) and Dante remain strong. All the others have either folded or declined although Cocos has managed to secure a good position in the market. Today major department stores apart from these two include Steven’s and Collin’s. There are also many discount department stores such as Conway which includes a furniture and decoration department named Conway Design, La Onda, Dorian’s, Saks, Madison Store and El Titan among others.

Philippines

The Philippines’ has many department stores. They already existed for quite sometime, but it was through Malls that granted the public easier access to the Department Stores as well as sense of cleanliness, trust, and
security. The SM Supermalls and the Robinsons Malls are two of the country’s most popular malls, all of which has Department Store sections.

**The Netherlands**

The most well-known department stores in The Netherlands are De Bijenkorf, HEMA, Maison de Bonneterie and Vroom and Dreesmann.

**Thailand**

The most popular department stores in Thailand are Central Department Store which are managed by Central Group. These are the list of department stores in Thailand.

- Central Department Store – has 15 branches and 5 more branches in the future (2007).
- The mall – has 6 branches (2007)
- Robinson Department Store has 19 branches (2007)
- Zen Department Store has 11 branches (2007)

**Russia**

The most famous Department store in Russia is the GUM in Moscow, Central Universal Store (TsUM) or the Petrovsky Passage. Other popular stores are Mega (shopping malls), Stockmann, Marks and Spencer. Media Market, M-video, Technosila, White Wind (Beliy Veter) sell large number of electronic devices. In Saint Petersburg there is The Passage extremely popular.
Singapore

Most department stores are clustered around Orchard Road in Singapore. The most well-known department stores in Singapore are BHG (formally known as Seiyu), Isetan, John Little, Marks and Spencer, Metro, Mustafa, OG, Robinson and Co., Takashimaya and Tangs. Some of their branch outlets can also be found in the sub-urban shopping malls.

South Korea

The three most prevalent chains are Hyundai, Lotte, and Shinsegae, which opened in 1930 as Mitsukoshi Gyeongseong store and is the oldest department store chain. Lotte is the largest, operating more than 20 stores.

Spain

Following the 2002 closure by the Australian group Partridges of their SEPU (Sociedad Espanol de Precios Unicos) department store chain, which in fact was Spain’s oldest, the market is now dominated by El Corte Ingles, founded in 1934 as a drapery store. El Corte Ingles stores tend to be vast buildings, selling a very broad range of products and the group also controls a number of other retail formats including discount store ‘Hipercor’. Other competitors such as ‘Simago’ and ‘Gallerias Preciados’ closed in the 1990’s however El Corte Ingles, faces major competition from French discount operators such as Carrefour and Auchan.
Sweden

The largest department store chain in Sweden is Ahlens, which operates stores throughout the country. Its flagship Stockholm Store, Ahlens City, is the largest department store in Sweden. Other large stores are Nordiska Kompaniet in Stockholm and Gothenburg, and PUB in Stockholm.

Switzerland

The Swiss retail market is dominated by two consumers' cooperatives, Migros and Coop, which also run department stores. Migros operates 12 upscale Globus department stores and 34 mid-range Migros MMM centers across the country. Since the acquisitions of EPA in 2002, Coop operates its mid-range department stores under the brand Coop City. Manor operates department stores throughout the country. Jelmoli and Loeb operate upscale department stores in Zurich and Berne respectively.

United Kingdom

Most of the early department stores in London started as small drapery stores which bought up neighbouring stores and increased their range of products.

- Whiteleys in Westbourne Grove was first to grow to department store size. By 1867 it consisted of 17 departments and by 1890 it
was operating in a purposely built department store and had over 6,000 staff employed in the business.

- Barkers in Kensington can be defined as a department store by 1880, when it encompassed 15 neighbouring stores, and in 1889 the company moved into a new, large building. This was eventually taken by House of Fraser and closed for business in 2006.

- Peter Jones in Sloane Square had grown to department store size by 1890.

- Harrods was reborn as a proper department store in 1889, after a devasting fire in 1883.

- John Lewis in Oxford Street was a true department store by 1900.

- Selfridges was opened in 1909 by the American entrepreneur Harry Gordon Selfridge, and thus became London’s seventh department store.

However, Kendals in Manchester can lay claim to being the oldest department store in the UK and perhaps in the world. Beginning as a small shop owned by S. and J. Watts in 1796, its sold a variety of goods. Kendal Milne and Faulkner purchased the business in 1835. Expanding the space, rather than use it as a typical warehouse simply to showcase textiles, it became a vast bazaar. Serving Manchester’s upmarket clientel
for over 200 years, it was recently purchased by the House of Fraser — although most Mancunians still refer to it as Kendals.

In Edinburgh, Jenners saw a similar development. It, starting as a drapery store in 1838, had grown into Scotland’s largest retail store by gobbling up all the small stores in the neighbourhood by the year 1890. In 1895, after a devastating fire, a new ultra-modern building opened, with lavish electrical lighting, hydraulic lifts and air conditioning. Four hours after the grand opening, 25,000 people had visited the store.\(^\text{16}\)

In the UK the term “department store” still refers to the traditional, classic department store, which has a wide range of independent departments with their own staff and their own tills. Large discount stores with the tills located by the entrance are not regarded as department stores in the UK, although the owners may call them that. Such stores as Marks and Spencer, Britain’s largest clothes retailer would therefore not be included in the British definition of a department store.

United States

In the United States, Companies such as Macy’s, Lord and Taylor, Sears, and J.C. Penney are considered department stores, while retail brands such as Toys “R” Us, Target, Kmart, and Wal-Mart are discount department stores. T.J.Max, Marshalls, and Burlington Coat Factory are stores that sell designer goods at lower prices. Stores that carry a general line of groceries and other product lines similar to those of department
stores are considered warehouse clubs or super centers. Warehouse clubs require a nominal annual membership fee, while super centers do not. Costco, BJ’s Wholesale Club, and Sam’s Club are examples of warehouse clubs\textsuperscript{17}.

**Retail Sector in India**

Retailing in India is a witness to the boom in terms of modern retailing formats, shopping malls, etc. The future of retailing for any product across the country will definitely be in malls where the consumer can get variety, quality and ambience. Apart from this, even in the non-metro cities like Lucknow, Kanpur, Jalandar, Amritsar, Patna, and Agra, this retailing culture through malls is spreading like anything\textsuperscript{18}. In Agra, a mall called “Ashok Cosmos2 Mall” came up at the Sanjay place. It is the first of its kind in Agra and has got the importance because of the Taj Mahal in the city. This shopping mall will bring to the tourists, floating people and the people of Agra, a retail experience and entertainment while shopping. The first five floors will be for shopping and the top four floors will be used for offices and offers a full view of the Taj Mahal from the top floors. Apart from this, Vishal Mega Mart, Salasar, Pee Cee Cosma, Bhavana and many more malls are opening up in the city of Taj proving that the retail culture is fast catching up with the people of non-metro cities also\textsuperscript{19}. 

82
Organised retailing in India, initially began in the South India, is rapidly evolving into an exciting and competitive market place with potential target consumers in both the rich and middle class segments. During the past 2 years, there has been a tremendous amount of interest in the Indian retail trade from global majors as well. Over the years, international brands like Mcdonalds, Swarovski, Locaste, Domino’s, Pepsi, Benetton among a host of others, have come in and thrived in India.

Retailing is one of the fastest growing industries in India, catering to the world’s second largest consumer market. The organized sector acquires a significant share of the retail price. It is the start of a cross border movement, with mergers and acquisitions gaining in importance retailers in North America and Europe like Walmart, Tesco, M and S and Carre'er are in gear four, where they are looking or cross-border movement. Further more, companies start adding more stores and never markets to their portfolio. There is a fair degree of domestic consolidation as well sourcing gets done globally.

Thus retailing in India has a very long haul ahead. The process of getting into newer forms of purchasing, has been gradual because of traditional buying habits and the manner in which traditional retailers manage relationship. There is no specific international format as an
existing model that can be easily adapted and applied in the Indian contact. India is going through the phase in retailing, which the US experienced in the eighties and early nineties. In order to develop the right proposition one needs to go through the learning curve. The growth and development of organized retailing in India will be driven mainly by two factors, low price and benefits the customers can’t resist. Economies of scale will drive draw the cost of the supply chain and increase the benefits offered to the customer. From product based shopping, the emphasis will shift to experience-based shopping.

• **Malls:**

Malls are the largest form of organized retailing today, located mainly in metro cities, in proximity to urban outskirts. It ranges from 60,000 sq.ft. to 7,00,000 sq.ft. and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Piramyd, Pantaloon.

• **Specialty Stores:**

Chains such as the Banglore based Kids Kemp, the Mumbai books retailer Crossword, RPG’s Music World and the Times Group’s music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.
• **Discount Stores:**

As the name suggests, discount stores are factory outlets, offering discounts on the Maximum Retail Price through selling in bulk realising the economies of scale. The product category can range from a variety of perishable and non perishable goods.

• **Departmental Stores:**

A departmental store is a retail establishment which specializes in selling a wide range of products without a single predominant merchandise line. It usually sell products including apparel, furniture, appliances, electronics, and additionally select other lines of products such as paint, hardware, toiletries, cosmetics, photographic equipment, jewellery, toys, and sports goods.

Departmental stores are large stores ranging from 20000-50000 sq.ft. catering to a variety of consumer needs, further classified into localized departments such as clothing toys, home groceries, etc. Among these, the biggest success is K Raheja’s Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq.ft.) across India.

Certain departmental stores are further classified as discount department stores. Discount department stores commonly have central customer checkout areas, generally in the front area of the store.
Department stores are usually part of a retail chain of many stores situated around a country or several countries.

- **Hypermarts/Supermarkets:**

  Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These stores today contribute to 30 per cent of all food and grocery organized retail sales. Super Markets can further be classified into mini supermarkets typically 1,000 sq.ft. to 2,000 sq.ft. and large supermarkets ranging from of 3,500 sq.ft. to 5,000 sq.ft. having a strong focus on food and grocery and personal sales.

- **Convenience Stores**

  These are relatively small stores 400 to 2,000 sq.ft located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.

- **Multi Brand Outlets (MBOs):**

  Multi Brand Outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and metros.
First hyper market in India

Gaint was the first hyper market opened in Mumbai. Inspite of the well known space constraint in the city, Gaint is living up to its name and opening a single level store of 50,000 sq.ft. of air-conditioned comfort at In orbit Mall, Malad. Gaint is part of the US $ 1.6 bn RPG Group’s retail sector.

Gaint hyper market will stock every conceivable product that can be purchased by a household. It will have more than 25,000 products all under one roof. At Gaint you can get groceries, fresh fruits, vegetables, home appliances, luggage and anything one can imagine at discounted prices. Gaint would offer 3 levels of discounts across every product sold in the store 365 days in a year. The discounts would range from 4 per cent to 40 per cent on the MRP. Price, comfort, convenience, quality correct quantity and service are just few advantages of what you can experience at Gaint. Apart from the wide product range, the Gaint store would also have a bakery, music world and a gifts and novelties counter.

Gaint caters to end consumers, institutional buyers and the large fraternity of small business like retailers, cateries, hotels and restaurants. Apart from selling all items below MRP, the store has regular promotions and special offers 52 weeks of the year. These are price offer and are in addition to the low prices being offered. These offers are across the entire
range of products and offer great savings on a number of leading brands. Based on the experience and learning from various international peers, Gaint further leveraged the benefits of large scale operations to develop a successful range of private label products.

Customer service and convenience is a core focus area for the store team and the air-conditioned, clear, comfortable, well stocked and laid out store ensures absolute customer delight. The spacious layout allows for wide aisles within the store for moving around. "The ample space outside ensures that Gaint is the one place, where customers do not have to worry about parking.

NILGIRIS

It said that the departmental store way of shopping was introduced in India by this then fairly small South Indian Family. This company, known to have been called the 'Nilgiris' chain of departmental stores, has been operating very successfully in Bangaluru, Chennai, Coimbatore, Erode and some other South Indian Towns and Cities since more than four decades. In fact the advent of Nilgiris has been a tremendous boon for consumers in these terms who have been able to do their one-step grocery shopping here. The tremendous customer traffic at these Nilgiris stores in turn has fascinated many entrepreneurs in South India so much that a large number of retail stores have come into existence. The Nilgiris Chain of Stores too has grown, though rather slowly over the last four
decades and presently has about 20 departmental store, some company-owned and other franchised. They also have ambitious plans of opening a large hyper market (over 100,000 sq.ft.) on the outskirts of Bangaluru in the near future, which could become the largest single store in the entire country.

**Food World:**

Food World brought the concept of “every day low price”. Some 200 SKUs are available everyday at the lowest prices in the market”. With 80 outlets in the Cities of Chennai, Bangalore, Hyderabad, Pune, Coimbatore, Pondicherry, Salem, Tiruppur, Vellore and Trivandrum, 500 stores and around Rs.1,500 core revenue.

**Pantaloon Retail (India) Limited Company Profile:**

Pantaloon Retail (India) Limited, is India’s leading retailer that operates multiple retail formats in both the value and lifestyle segment of the Indian consumer market. Headquartered in Mumbai, the company operates over 7 million square feet of retail space, has over 1000 stores across 51 cities in India and employs over 24000 people.

The company’s leading formats include Pantaloons, a chain of fashion outlets, Big Bazaar, a uniquely Indian hyper market chain, Food Bazaar, a super market chain, blends the look, touch and feel of Indian bazaars with aspects of modern retail like choice, convenience and
quality. Some of its other formats include, Depot, Shoe Factory, Brand Factory, Blue Sky, Fashion Station, All, Top 10, M.Bazaar and Star and Sitara.

Pantaloon Retail was recently awarded the International Retailer of the year 2007 by the US-based National Retail Federation (NRF) and the Emerging Market Retailer of the year 2007 at the World Retail Congress held in Barcelona.

Pantaloon Retail is the flagship company of Future Group, a business group catering to the entire Indian consumption space.

ADVANTAGES AND DISADVANTAGES OF LOCATING IN A SHOPPING CENTRE / MALL

Advantages

➢ Heavy traffic resulting from the wide range of product offerings.
➢ Nearness to the population
➢ Cooperative planning and sharing of common costs.
➢ Access to highway and availability of parking.
➢ Lower crime rate.
➢ Clean, neat environment.
➢ More-than-adequate parking space.

Disadvantages

➢ Inflexible store hours (the retailer must stay open during the center’s hours, and can’t be open at other times).
➢ High rents.

➢ Restrictions as to the merchandise the retailer may sell.

➢ Inflexible operations and required membership in the center’s merchant organization.

➢ Possibility of too much competition and the fact that much of the traffic is not interested in a particular product offering.

➢ Anchor tenant dominates smaller stores.

**Differentiating the Retail Experience**

Perhaps one of the greatest failing since retailing today is that too many retailers have concentrated on just one means of differentiating themselves from the competition — price. Price promotion usually attracts, but rarely holds customers. The customers that the retailers gain with these promotions are just as apt to switch to another retailer when that retailer cuts its prices. As a result, retailers have taught consumers that if they wait, and in many cases this wait is only a matter of days, the merchandise or services they desire will go on sale. Unless a retailer has substantially lower operating costs, lowering prices is a very dangerous strategy to use because it can easily be copied by the competitor and will usually result in reduced profits, or even a loss. Some better forms of differentiation for retailers to use in attracting customers include the following:
*Physical differentiation of the product, such as Target’s brilliant and innovative “upscale” merchandise that really catches trends before other mass merchandisers. Little wonder that Target is the discount store for many shoppers, “who do not want to be seen in a discount store”. Another retailer using this strategy is ‘Charming Shoppes’. With more than 2,200 retail stores, ‘Charming Shoppes’ operates the Lane Bryant, Fashion Bug, and Catherine’s Plus retail chains. It has dropped its dowdy, baggy styles and refocused on body-hugging fashions that were previously marketed only to smaller-sized women. Note that service retailers such as beauty shops, health and fitness clubs, and child-care centers can also use their physical environment to differentiate their services.

*Selling process, such as the way Saturn auto dealers use their excellent customer service to connect with their target customers.

*After-purchase satisfaction, which some major retailers, such as L.L.Bean, achieve with “satisfaction-guaranteed” programs that enable customers to return clothing even after years of wear for a new item.

*Location, such as the way Dollar General and Family Dollar have used their locational advantage by placing stores that are usually located in strip centers enroute to a nearby supercenter. These chains hope to intercept shoppers who would rather pick up that toothpaste and motor oil
in a convenient manner instead of having to walk through a cavernous building offering tires and tomatoes, shirts and soup, and bananas and car batteries. In addition, the small size of their stores also gives these retailers advantages in negotiating lease, thus reducting their operating costs in comparison to other chains.

*Never being out of stock, which means being in stock with regard to the sizes, colors, and styles that the target market expects the retailer to carry. Nordstrom, for example, offers a free shirt if it is out of stock on basic sizes. For a service retailer such as a barber shop, this may equate to always having a barber available for walk-in customers.

**Retail Boom becoming visible in India**

From last few years, many people and experts are talking about the retail boom in India. Retail boom basically refers to new modernized shopping marts or stores from where people can easily buy all essential items under one roof from vegetable, fruits, grocery to electronics, investments, beauty products and simply everything. Moreover, with the help of these shopping marts people can easily pay with their credit or debit cards which option was not earlier available with them.

Today, people are not required to visit road side shops or vendors for purchasing essential vegetable and fruits. Slowly these shopping marts and chains are trying to sell everything under the single roof so that
people need not worry about visiting different stores or shops. Already number of players like Reliance one, Subhiksha, Spencer etc. are present in the market to attract people towards them. In big and medium cities, these shopping marts are able to capture good market share and many people have become their regular visitors.

Moreover, there is further good news for the Indian origin retail chains because large numbers of political parties and labour unions have decided not to oppose retail chains of Indian origin. Therefore, in future we can see more increase in number of these shopping chains and entry to new players. At present, Reliance one is clearly making edge over other players and it has captured good market through number of customer loyalty programs.

More from Aditya Birla group is another retail chain which is opening stores across India at very fast rate and it's functioning very much resemble Reliance one. At present, it clearly looks win 2 situation for both customers and retailers as both are getting number of advantages from each other. Second, this whole thing also reminds about the acceptance of these shopping models by people of India, though may not still suits to all.

Entire concept of shopping has altered in terms of format and consumer buying behavior, ushering in a revolution in shopping in India.
Modern retail has entered India as evident from sprawling shopping centers, multi-storied malls and huge complexes offering shopping, entertainment and food all under one roof. If recent reports are to be believed, nearly 150 new shopping malls are expected to come up by 2008. The number of department stores is growing faster than overall retail, at 24 per cent annually.

Driven by demographic changes including rising double digit income levels and a rapidly expanding middle class, the Indian retailing sector is at an inflexion point where the growth of organized retailing and growth in the consumption by the Indian population is going towards a higher growth trajectory. Burgeoning Indian population, particularly the middle class and the rural segments, present an opportunity to makers of branded products to convert consumers to branded products.

Retailing in India is at a nascent stage of the evolution, but within a very short time certain trends similar to global experiences are clearly emerging. Retailing which covers diverse products such as food, apparels, consumer goods, financial services and lifestyle goods is gradually replacing the individual small stores with big chain stores.

With shopping attitudes of people changing, organized retail markets today desire for value added products and services with good
ambience and brands, which only a retailer can provide, making future growth difficult for the small retail sector.

The Indian retailing sector is largely fragmented and hampered by a lack of adequately developed real estate, a shortage of trained and specialized human capital, weak labor laws, and frail logistics and supply chain systems.

The dynamic changes taking place in the retailing sector in India and abroad are found that there is growing employment potential for professional managers in this sector. The following are the facts that supported this point of view.

➢ In the list of Fortune 500 companies 10 per cent or 50 are Retail Organizations—Wal-Mart (The Retail (Giant) is the first among the fortune 500 companies.

➢ 25 of the Asian Top 200 companies are tailing companies.

➢ Retailing Sector employs around 8 per cent of the labour in India which is six times bigger than Thailand and five times larger than South Korea and Taiwan. It is the second largest employment provider in the country after agriculture.

➢ There are 4.3 million retail outlets in India.

➢ Organised retailing in India is only two per cent which is very poor compared to other South Asian Countries
<table>
<thead>
<tr>
<th>Country</th>
<th>Organized Retailing (Percentage)</th>
<th>Traditional Retailing (Percentage)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malaysia</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Thailand</td>
<td>40</td>
<td>60</td>
</tr>
<tr>
<td>Philippines</td>
<td>35</td>
<td>65</td>
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<tr>
<td>South Korea</td>
<td>15</td>
<td>85</td>
</tr>
<tr>
<td>China</td>
<td>20</td>
<td>80</td>
</tr>
<tr>
<td>India</td>
<td>2</td>
<td>98</td>
</tr>
</tbody>
</table>

- India has around 200 shopping malls presently located in cities.
- Sharp growth rate of 35-40 in organized retailing across the country is a positive sign of growth.
- The total domestic retail market was estimated around Rs.24300 billion in 2007-08 and the annual growth rate is around 4 to 6 percent.
- Price Water House Coopers (PWC) had estimated India among the six most attractive destination in retailing alongside China, Turkey, Thailand, Malaysia and Hungary.
- Big business houses in India like Reliance, Godrej, Mahendras, Wadia, Tata, Hero and Malhotras are not looking at retail sector.
- Pantaloon, Shoppers Shop, RPG Group, Trent, Life Style, Subhiksha, Food World, Vivek's Nilgiris, Ebnoy, Crosswords, Globus, Barista, Quicky's, Café Coffee Day, Wills Lifestyle, Raymond, Titan, Bata,
West Side, Trinetra, Chandana Brothers etc. already have established retail networks in the country in a big way.

- Reliance India is entering into the sector in a big way with an investment of Rs.25,000 crores and an estimated employment generation of around 10 lakhs.

- The international players who have already entered into retailing business in India include McDonald's, Pizza Hut, Dominos, Levis, Lee, Nike, Adidas, TGIF, Benetton, Sony, Sharp, Kodak, the Medicine Shoppe and Wal-Mart.

- Foreign Direct Investment in retail business is allowed up to 51 per cent through Foreign Investment Promotion Board as a measure to encourage the entry of Multi National Corporations in the country.

- The size of the organized retail market is expected to register substantial growth by 2007-08. The following are the estimates of the Intelligence Group of the Economic Times.

<table>
<thead>
<tr>
<th></th>
<th>2001-02</th>
<th>2007-08</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total (No.of outlets)</td>
<td>16,000</td>
<td>37,216</td>
</tr>
<tr>
<td>Food</td>
<td>1,800</td>
<td>7,743</td>
</tr>
<tr>
<td>Clothing</td>
<td>4,950</td>
<td>10,423</td>
</tr>
<tr>
<td>Consumer Durables</td>
<td>1,650</td>
<td>3,787</td>
</tr>
<tr>
<td>Books &amp; Music</td>
<td>450</td>
<td>1,426</td>
</tr>
</tbody>
</table>
Chennai: Organized retailing is spreading its wings. Having gained significant market share in tier I cities, prominent retailers are eager to cash in on the first mover advantage and are expanding into hitherto unexplored tier II cities for establishing broad-based visibility and brand loyalty. While doing so, they adopt fresh concepts and explore new structures for space acquisitions. More than anything else, competitively low real estate cost in tier II cities is proving a major attraction for retailers to enter these areas.

It is important to note that tier II and III cities have markedly varying characteristics at the current stage of retail evolution. The success of malls largely depend on the food retailing and entertainment. About 35 per cent of the total retail real estate under development is located in tier II and tier III cities, according to a study by Cushman & Wakefield.

In the southern markets, mall culture in tier I cities such as Bangalore, Chennai, and Hyderabad has just begun to gain momentum.

The tier II cities are also expected to see a remarkable growth in the development of malls in the near future, with over a million sq.ft. of space being added in cities like Mysore and Kochi. By 2009, Coimbatore is expected to have five malls with a built-up area of 2.37 million sq. ft. and Kochi six malls with a built-up area of 1.59 million sq. ft. At present, there are no malls operating in these two cities.
By the end of 2006, India is expected to have about 120 malls. Further, Reliance has announced an investment of $3.4 billion to become the country’s largest modern retailer by establishing a chain of 1,575 stores by March 2009. Hypercity Retail, a subsidiary of K Reheja Corp Group, too, plans to open 55 hypermarkets by 2015.

The opening up of foreign direct investment, the report says, will provide an access to the science of retailing. International players are expected to bring in design, visual merchandise and operational expertise. They will also bring in learning from developed markets and will cut the learning cycle of the Indian retail industry. The entry of retail shopping center developers will enhance the infrastructure.

At present, 100 per cent FDI is already permitted in cash and carry wholesale trading.

The government is confident that permitting FDI in branded and luxury goods will not displace ‘mom and pop’ stores since these cater to a completely different segment of the market.

DEPARTMENTAL STORES IN SALEM DISTRICT

The need for specialised stores like Departmental Stores were need of the hour based on customer perception and needs. These stores provide all under one roof. The study area selected by the researcher includes urban and rural areas. The District Head Quarters and Taluk Head Quarters have emerged with departmental stores in a fast manner. In the
urban areas the popular stores are Subiksha, Bharathi Stores, Ponni Super Market, Reliance Fresh, Food World, Shervaloy Super Market, Viveks, PTG Super Market, Nilgiris, Sri Saravana Stores, Sri Hari Fancy Stores, Khamadhenu Stores.

All these departmental stores enrich quality and standardised products to the customers along with other facilities. Indian consumers diverse in terms of religion, social, cultural and linguistic factors are in the rural area and half of the national income is generated there. A conservative and tradition bound life style mark the rural consumers. Nowadays consumers are commonly exploited in rural areas because of illiteracy, lack of knowledge in consumer rights and other consumer related aspects.

The departmental stores in the study area are to be developed in various fields/areas. The important among them are space, basic amenities to the consumers, parking facilities etc. The stores must be located in the main areas of consumers, then only they can buy very easily. These stores are widely recognised by the consumers in this area due to all under one roof with less timing for their purchase.

**Challenges of Retailing:**

Retail management is a relatively new discipline in India; it is not market by another name. The most important difference is that where marketing has the classic 4 Ps (Product, Promotion, Price and Place), in
retailing fifth P-people is added which is critical. They are critical to a service business like retailing both as employees who execute the business and the customers with whom retailers must interact.

The following are the key challenges of retailing:

➢ Retailers need to handle smaller transactions in large numbers

➢ A key to success for many retailers is the ability to attract customers by offering low price and guarantee.

➢ Creating enthusiasm among customers on continuous basis by offering attractive sales promotion and discounts.

➢ Retailers have to deal with large products, across manufacturers.

➢ Retailers have to understand the consumer behaviour, i.e how they shop, what they want and when.

➢ Retailing is all about location where sufficient parking space is available besides being close to shopping mall.

➢ Use of Information Technology (IT) in developing a supply chain and integrating all the retailing processes from procurement to after sales.

➢ Knowledge about private label sourcing and global markets to have lowest cost.

Scale of Operating Changes:

More than 50 stores spread over Chennai, Bangalore and Hyderabad. This growing scale is enabling these departmental store to eliminate links in the purchasing chain and to craft deals with food
processors directly. In fact, the scale of purchases has made India’s largest consumer goods company, HLL, dedicate a special team to deal with these emerging power retail us.

>Purchasing habits in metros shifting towards super markets

Shopping behaviour in urban India has evolved over the last few years. A survey of Indian women revealed that 40 percent felt that their shopping pattern had altered in the last 5 years. The increase in variety, quality and availability of products, as well as an increase in spending power has resulted in consumers increasingly using departmental store for their personal shopping.

>More Competitors are eyeing the sector

From an ignored industry barely 10 years ago, the level of interest in retail as a growth opportunity has increased visibly. Large conglomerates like Tata, ITC and the Raheja Group have initiated investment, the Birlas have acquired the Madurai Garment Apparel business, while Reliance has publicly committed to develop a retail business along with the development of its fuel retailing network.

>Foreign retailers looking for entry options

The increasing attractiveness of the sector is raising the interest of a number of global retailers, while this is dampened by the lack of FDI approval for the sector, a number of companies, including Tisco, King Fisher, Metro, Carreferer and etc are exploring entry options.
End Notes


14. www.departments stores abroad.co.in


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