

CHAPTER III
SERVICE QUALITY OF ORGANISED RETAIL STORES: A
THEORETICAL PERSPECTIVE

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CHAPTER III

SERVICE QUALITY OF ORGANISED RETAIL STORES: A THEORETICAL PERSPECTIVE

3.1 Introduction:

It is the globalised era in which almost all the countries of the world are developing at a faster pace. It's because of the rapid growth in technology, infrastructure, retailing, trade & services. Among these trade and services, retailing is having a greater share in world's GDP, where retail business plays a prominent role, because retail sales and employment are vital economic contributions. The various business activities like selling goods and rendering services to consumers for their personal family, or household purpose, etc. all come under retailing. Retailing has a fastest growing trend from generation of idea to implementation, to assessment, refinement and development of any industry, as it consists of all sale to the ultimate user / consumer – starting from cars to apparel to meals at restaurants' to theater tickets.

Retail industry includes both organised and unorganised formats where it consists of the sale of goods or merchandise from a particular location such as departmental stores, malls, boutique or kiosk, in small or individual stores set up for direct consumption by the purchaser. Here purchasers may individuals or corporate. Retailing is that set of business activities which adds value to the products and services sold to consumers for their personal or other uses. Retailing is not only limited to sale of products in stores but also involves the sale of services.

As there is both product delivery and services is exulted in retailing, the customer base is large, and hence there is a greater scope for retail business in the world. Today, consumers always prefer for convenient in purchasing. Their conveniences can be expected from big organised retail stores, like shopping malls, super markets etc. Apart from convenient purchasing, consumers also expect good service quality. So firms are trying hard to understand the customer because they have now realised that anticipating, meeting and understanding customer need is the most important goal to be achieved to gain competitive advantage. If this is achieved, the retail business today, has bright future ahead by having large customer base, market share, increased growth in terms of income and employment.

3.2 Concept of service:

The ISO-9000:2000 defines 'service' as a customer oriented result. This result is obtained when a business organisation works towards meeting customers' needs according to their expectations. It is also a continuous process that yields benefits of physical possessions of intangible things and does not result in transfer of ownership. According to Regan, services represent either intangibles yielding satisfaction directly (transportation, hospitals), or intangibles yielding satisfaction jointly when purchased either with commodities or with other services (credit, delivery). From this definition we can observe that service is performed with tangible goods. There may be pure services and pure products produced by the organisations which may also render customer service. Gronros (2000) says that firms now compete on the basis of services, and not on the basis of physical products. The global market place has compelled every industry to transform itself into a truly customer oriented, service – focused enterprise, irrespective of the products and services it sells, so all are in service. In today's situation it is essential that every business organisation will get succeed by satisfying the customers through providing the services with high quality as per the customers' expectations.

In general, government organisations, non-governmental organisations and business enterprises will constitute the service sector. This may be restaurants, education, health, catering, dry cleaning, insurance, news and entertainment, professional services such as law, consulting, architecture, transportation, stock broking, wholesaling and retailing, laundries, information sector, bars, banking, repair and maintenance, arts and recreation clubs, leasing, etc.

Services are intangible activities or benefits offered by one person to another to fulfill the specified needs. These activities are labour intensive and which are different from goods due to the following reasons:

- **Intangibility**– Services are intangible which can be experienced but cannot be seen and touched. It gives only psychological experience which gives more satisfaction than the possession of physical goods.
- **Heterogeneity**– Services are those acts which are delivered and consumed together. Due to the involvement of human in the process the delivery and expectations may differ from one person to another.

- **Absence of Stock**– Services cannot be stored. It is consumed immediately once delivered. Further in the process both service provider and consumer are involved at the same time hence there is no chance of keeping inventory.
- **No Ownership transferability**– Ownership will transfer from one person to another only when there is exchange of tangible goods. At the time of delivery of service there is no exchange of tangible goods hence there is no question of ownership transferability.
- **Inseparability**– Services are delivered and consumed simultaneously. Generally, the service provider and consumer exist when the service is being provided, so both are part of the service process. They cannot be separated from service.

3.3 Concept of Quality:

It is a scenario in which competition among business enterprises is growing. To gain competitive advantage through retaining existing loyal customers in competitive globalised world, quality of products and services offered by the organisation is one of the most essential distinct factors. So it is necessary to understand the concept of quality. The meaning of quality depends upon the person's perspective and situations. There are two dimensions of quality of a product or service; one is pertaining to the 'characteristics' and 'features' of the product or service and the second dimension relates to 'free from defects' in the product or service. The person who uses the products and who takes the benefit of services is called a customer. Customers get satisfaction from the product or service only when it fulfils their expectations through its features and if it is free from defects. So the characteristics and features of the products or services will determine the level of customer satisfaction. The level of customer satisfaction will contribute to profitability and success or failure of the organisation in the long run. The good quality of product or service helps in minimising cost by maximising the returns.

According to the ISO 9000, quality is defined as 'the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs'.

According to Joseph M. Juran, 'Quality is the fitness for use and conformance to measurable product characteristics'.

According to Subir Chowdhury, 'Quality combines people power and process power'.

According to Edward Deming, 'Quality is multi- dimensional and it is virtually impossible to define quality of a product or service in terms of a single characteristic or agent'.

3.4 Dimensions of Quality:

There are eight dimensions of quality according to the framework given by Garvin (1984). The basic elements of product or service quality are:

- Performance
- Features
- Reliability
- Conformance
- Durability
- Serviceability
- Aesthetics
- Perceived quality

Each dimension is distinct from one another. A product or service can be ranked as first in one dimension and lowest in another. The determination of these dimensions is also most essential for strategic thinking. The quality of service or products of a firm may not have all these dimensions but a few dimensions can make out for special attention.

3.5 Service quality:

Service quality is understood by comparing expectations with performance. Service is all about what is actually delivered and comparing it with the expectations of the customer. If the service delivered more than the expectation of the customers, then business is considered to have high service quality. Service quality is used as an indicator of customer satisfaction and organisational performance. To business, service quality is the standard operating procedures. For the customer it is the

personal expectation. Mismatch between these two leads to dissatisfaction to customers. More importantly service quality is found or measured by the customer's perceptions but not by the perceptions of the service providers. Service quality is very vital in determining the firm's competitiveness. With the help of this indicator, firms can compare with its competitors' service quality. It can be said that, high service quality is a key to profitability. As defined by Kotler and Armstrong (1996), 'Service quality is the totality features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs'. It's proved from the definition that consumer service is a vital factor in generating super profit earning capacity by creating loyal customers. With the help of this the business will become successful and can have long life.

Quality is the most essential tool for the growth and development in every field. Based on the quality of service rendered an entity will achieve capability of sustainable competitive advantage. So service quality plays an important role and it should be understood and defined properly. Different authors explain service quality in different ways. But all are same in their opinions i.e. '**Fulfilling the Need of Customers according to their expectations**'.

Christopher Lovelock defines, 'Services are economic activities that create value and provide benefits for customers at specific times and places as a result of bringing about a desired change in or on behalf of the recipient of the service'.

Bhattacharjee defines that, 'Services are the production of essentially intangible benefits and experience, either alone or as part of a tangible product through some form of exchange, with the intention of satisfying the needs, wants and desires of the consumers'.

Service is intangible which gets attached with products delivered to the customers. The customers determine about the service satisfaction only after using it for some period of time. If the expectations and perceptions of the customers about the service are successfully met then they will turn into loyal customers. So every service provider thinks in the premises of customer to have sustainable growth in the business. Some of the key service areas are: Retail malls, Transportation, Cell phones, Education, Health & Hospitality Services, BPO, etc.

3.6 Elements of service quality:

The following elements of service will help retailers to bridge the gap between consumer's needs and service delivery. These elements act as the benchmark to measure the service quality. The elements are:

1. Tangibles:

Tangibles are those which customers can experience in retail stores with personnel, company catalogues, and the physical environment. This comprises the things or material of the store that the consumer can see, touch, use, etc., like:

- a. Physical facilities like parking, rest rooms, etc.
- b. Availability and appearance of personnel
- c. Tools and equipment used to provide the service for example lift facilities, trolleys, etc.
- d. Physical outlook of the service.

2. Reliability:

Reliability emphasis on the personnel to provide promised or expected services dependably and accurately. This means the company should deliver the service right the first time and fulfil its promises. By this the company can also trust its employees with regard to render the service to customers responsibly. It means the retail stores must maintain consistency in performance of their service and the expectations of the customers. The consistency and accuracy of services can be maintained in:

- a. Accuracy in charging
- b. Keeping the correct records
- c. Delivering the services at the predetermined time.

3. Responsiveness:

Responsiveness relates to the staff to help customers and provide timely service. This shows the willingness and readiness of staff members to render service to customers. For example it could be in mailing

transactions slip immediately, giving answers to the customers query immediately, etc.

4. Competence:

Competence among the employees assures the ability to show trust and confidence through company and the product knowledge, as well as by the courtesy of their interpersonal skills. This element comprises of:

- a. Knowledge and communication skill of the contact personnel.
- b. Listening to customers' needs and explaining the features of desired product or service.
- c. Improving the company's reputation
- d. Individual characteristics of contact personnel
- e. Ability to maintain secrecy
- f. Ability to display financial and personal security.

5. Empathy:

This focuses on understanding the customer's individual psychological as well as physical needs. Empathy relates to individual attention given to customers. It may be:

- a. Recognizing and respecting regular customers.
- b. Understanding the customer's specific requirements and forecasting their needs.
- c. Being attentive and providing customised services.
- d. Being accountable and responsible for compensating for the complaints of customers.

The elements discussed highlight the management principles and policies which are to be followed by the retail malls in maintaining and providing the quality of their services.

3.7 Parameters of Service Quality:

The study identified various parameters influencing on service quality in organised retail outlets namely:

- **Discounts:**

Retailers may use a promotional strategy involving price discounts which effects on increasing store traffic and to motivate the customers to purchase. This effect on expected service quality and value helps the managers to determine the level of discount to be used in retail malls. The level of discounts used by the retailers also helps in creating the store image and which will leads to develop the intention of purchasing in the minds of the customers.

- **Billing:**

Error free billing facility provided by the organised retail outlet is one of the parameter identified in the study. Customers always thinking to visit the malls where easy and error free billing facility is available. The good billing kiosks also effects on the service quality perceived by the customers because it saves their precious time.

- **Availability of variety of brands:**

Availability of various brands in organised retail malls will help the customers to buy the various required products under one roof and which also favourable to them to save their time and provide choices of various products.

- **Assistance from the employees during shopping :**

The assistance provided by the employees of the organised retail stores is one of the parameter affecting on the service quality because the assistance and guidance by the employees of the organised retail mall helps to solve the problems of the customers regarding to their buying. This also insists the customers about the usage of the products they buy.

3.8 Dimensions of Service Quality:

The dimensions of service quality discuss the nature and extent of service provided to customers. The quality of service provided depends upon these dimensions. Zeithaml, Parasuraman and Berry (1991), have found five dimensions of service quality. These dimensions are used by customers while evaluating the service

quality. The instrument used to evaluate service quality was named as SERVQUAL by these authors. There are five dimensions in this instrument namely, tangibility, reliability, responsiveness, assurance and empathy.

SERVQUAL Instrument

Dimensions	Explanation
1. Reliability	It's the ability to perform the promised service to the customers very accurately
2. Assurance	It's the knowledge and courtesy of employees and their ability to inspire trust and confidence.
3. Tangibles	It relates with the physical facilities, equipment, and appearance of personnel.
4. Empathy	It's the individualised attention the firm provides its customers.
5. Responsiveness	It's the willingness to help customers and provide prompt service.

Application of SERVQUAL instrument:

In order to understand the perceptions of target customers, SERVQUAL is used within service industries. By this the organisations get an idea about the customers service needs. On the other hand, SERVQUAL can also be applied to know the employee's perception of service quality with the object of achieving service improvement.

Process involved in SERVQUAL:

Firstly, a survey is conducted for sample customers to understand their perceived service needs and to measure their expectations of service quality. From each dimension of SERVQUAL model, numerous questions are asked to customers. After responding to the questions, the responses are analysed and gap is assessed between desired and actual performance. This assessment assists the organisation to direct its resources so as to maximize service quality.

Advantages of SERVQUAL:

SERVQUAL gives detailed information about the following:

1. Customer expectations of services

2. Performance levels as expected by the customers.
3. Customer opinions, comments and suggestions.
4. Employee's impression with respect to customer's expectations and satisfaction.

Drawbacks of SERVQUAL:

Based on a number of theoretical and operational bases, the SERVQUAL instrument is criticised. Francis Buttel critiques SERVQUAL in the article "SERVQUAL: review, critique, research agenda", notes that, SERVQUAL's 5 dimensions are not universals, and that the model fails to draw on established economic, statistical and psychological theory'. Luis Lages and Joana Fernandez suggest in their article that, consumer find decisions are taken at a higher level of abstraction. Similarly to the SERVQUAL scale, the personal values (SERPVAL) scale is also multi-dimensional. It presents three dimensions of service value to:

- a) Peaceful life
- b) Social recognition and
- c) Social integration.

All three SERPVAL dimensions are associated with customer satisfaction. While service value to social integration is related only with loyalty, service values to peaceful life are associated with both loyalty and repurchase intent. Through SERVQUAL's validity are in doubt, it is widely used in published and modified forms to measure customer expectations and perceptions of service quality.

Service quality in organised retail stores:

The organised retail industry is growing rapidly the competition is very intense among major corporate houses. Service quality can be used as a tool to face this fierce competition. It's considered that service quality gives competitive advantage to the stores to win over the rivals. The main focus is on the efficient and effective delivery of services to the customers. The vital factors in the retail sectors are, quality of the product delivered and customer satisfaction. This measures the service quality of the retail stores. In the pioneering work of Dabholkar, Thrope and Rentz (1996), an instrument based on SERVQUAL is given which measures service

quality in retail services. They proposed five dimensions- physical aspects, reliability, personal interaction, problem solving and policy. This instrument is called as retail service quality scale (RSQS);the scale has 28 sub dimensions to the 5 dimensions.

Service quality dimensions as per RSQS scale

Dimensions	Explanation
1. Physical aspects	Relates to the appearance of the physical facilities and the convenience offered to the customer by the layout of the physical facilities.
2. Reliability	Relates to keeping promises and doing the right things(right service, correctness of transactions, quality of products, etc.)
3. Personal interaction	Relates to being courteous, helpful, and inspire confidence in customers.
4. Problem solving	Relates to the issues of handling of goods, returns and exchanges as well as complaints.
5. Policy	Relates to store's policy on merchandise quality, parking, operation hours and credit cards.

This proposed measurement tool may be applicable in retail businesses that offers a mix of service and goods, such as departmental or speciality stores. This tool is also suitable in measuring the current levels of service quality and also to conduct periodic checks to understand changes in customer expectations. This also helps in diagnosing the service areas that are weak and that need attention.

Turley and Fugate (1992) has developed a retail service quality scale (RSQS) and identified five dimensions associated with facility intensive services (as offered in super markets) as:

- a. Operational dimension
- b. The location dimension
- c. The atmospheric and image dimension
- d. The consumer use dimension and
- e. Contact personnel dimension

It's said that satisfaction with the facility driven service usually depends on the customer's ability to interact with the facility in order to produce a satisfactory consumption experience.

The five factor structure proposed by Dabholkar et al. is very useful as a foundation for discussion and determination of areas for improvement in retail stores service quality. The scale helps in gathering benchmark data regarding current levels of service quality. Thus, measurement of service quality in the retail sector should consider the customer expectations of service as well as perceptions of service.

3.9 Retailing – Definition and Origin:

According to Wikipedia, 'retailing consists of the sale of goods or merchandise from a fixed location, such as a department store, boutique or kiosk, or by post, in small or individual lots for direct consumption by the purchase'. Retailing encompasses the various business activities involving selling goods and services to consumers for their personal, family or household use. Many think of retailing as the sale tangible or physical goods only, but it also includes the sale of services. In fact, this is a big part of retailing. Retailing thus, includes both sale of products and rendering services.

The word 'Retail' has been derived from the French word 'retailer' meaning to cut a piece of or to break bulk. This means that retail is the final business in a distribution channel that links manufactures to consumers. To express in commerce terms, retailer buys goods or products in quantities from manufacturers or importers and then sells smaller quantities to the end user. Thus, retailing is breaking the bulk. Retailers are at the end of supply chain. Retailing is considered as an amalgamation of goods and services. It involves services of channel of services and physical surroundings.

3.10. Functions performed in retailing:

Retailers are the link between manufacturers, wholesalers and the consumer. They provide important functions that increase the value of the products and services. They are not just an intermediary in the distribution channel but also meet the customers and collect their valuable feedback and which is commutated back to the

manufacturer through the distribution channel. In general they perform following function.

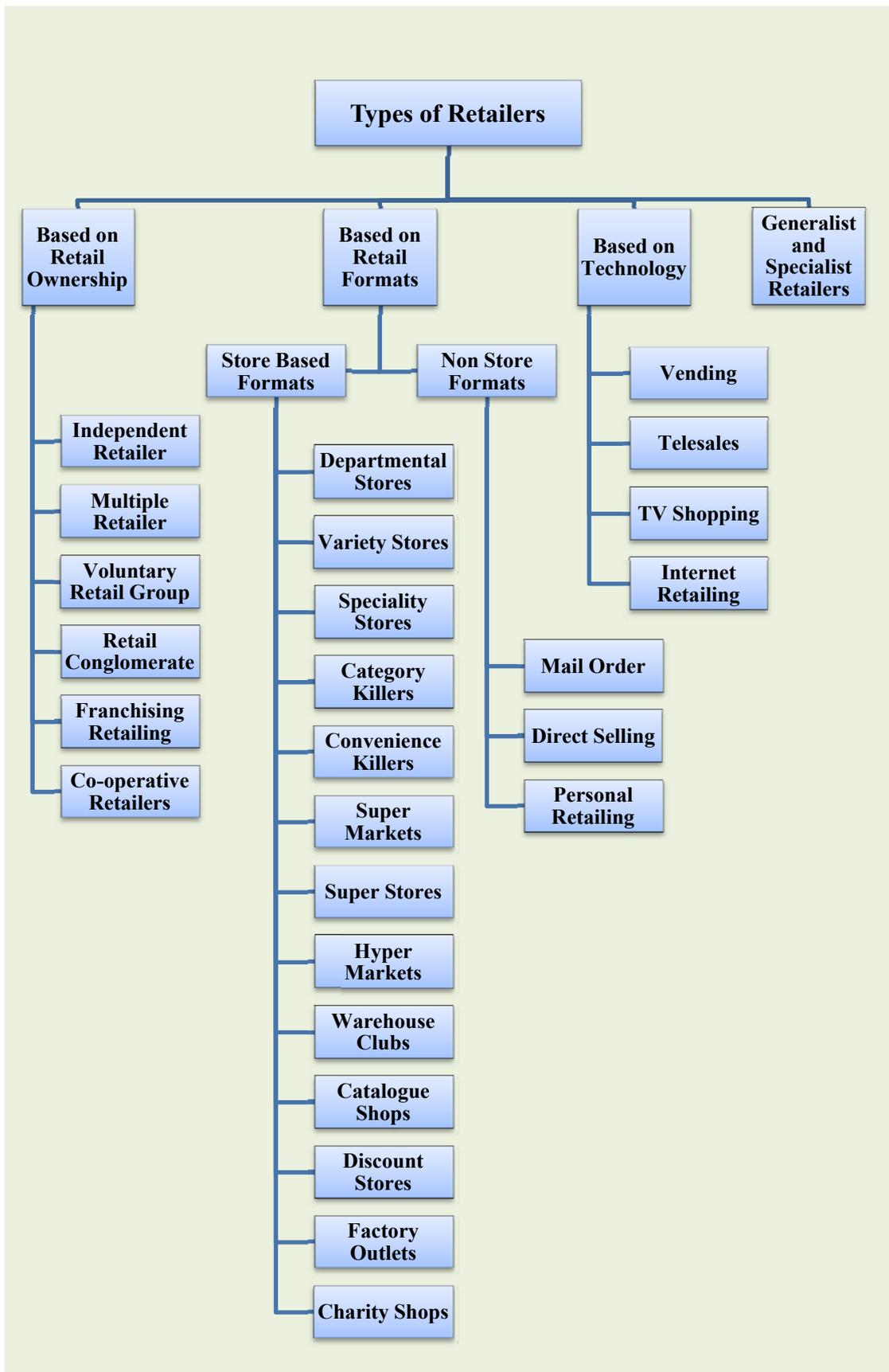
- ❖ **Sorting:** Manufacturers produce uniform products and likes to sell their entire inventory to only few buyers to reduce costs. Whereas the final consumers prefers to have large variety of goods and services to select, and usually buy them in limited quantity. Here the retailer does the balancing function of the demands on both the sides, by collecting an assortment of goods from various sources, buying them in large quantities and selling small amounts. This function of retailer is called as sorting function.
- ❖ **Breaking Bulk:** In order to reduce transportation cost, producers and wholesalers send huge quantities of the products, which are after words arranged the retailers into smaller quantities to meet the individual customer needs. Their function of arranging the bulk of goods sent by the produce is termed as 'Breaking Bulk'.
- ❖ **Holding Stock:** It is the most beneficial function performed by the retailers to consumers they reduce the consumers' cost of storing product particularly when consumers have limited storage space and who want to purchase perishable products. So consumers can keep smaller inventory of products at home and purchase the product as and when required.
- ❖ **Providing Services:** Retailers provide number of services which makes easier for customers to buy and use the products. The additional services provided by them are product guaranteed, after sales service, credit and hire purchase facilities.
- ❖ **Channel of communication:** Apart from above functions retailers also act as the channel of communication and information among the suppliers and the consumers. Manufacturer get to know about the sales forecast, delivery delays and customer complaints, likewise consumers learn about the characteristics and features of a product or services through advertisements, sales people and display.
- ❖ **Transport and advertising functions:** Many retailers provide transport, storage, advertising and pre-payment of merchandise assistance to the small

manufactures. The function performed by a particular retailer has a direct relation to the percentage and volume of sales needed to recover both cost and profit.

3.11. Types of Retailers:

There is a variety of retail outlets in the retail industry. These retail outlets can be different in terms of the ownership of the retail business, the physical location or premises used (the retail format) and the orientation of the different products. This diversity in the retail industry in terms of the variety of outlets, ownership and formats give rise to different types of retailers. The different retailers present in the retail industry are as follows.

Chart 3.1: Types Retail Formats



A) Based on Retail ownership:

The Classification of retailers based on this type is in terms of ownership and control of the organisation. Following are the important categories of the retailer based on ownership:

- a) Independent Retailer:** Independent retail organisations are those organisations which are owned and managed by private individuals with not having more than 10 branch stores. In other words independent retailers can be termed as a small – scale retail organisations. Sole traders, family – men business operations are some of the examples for independent retailer organisations. These stores offer a specialised product range and wide variety of product items. They usually operate in physically small stores located anywhere. These stores are often managed by entrepreneurs who prefer to work for themselves.
- b) Multiple Retailers:** Multiple retailers have central operational head-quarters and a collection branch stores under common ownership. Most of the multiple retailers are public limited companies and owned by shareholders, some multiple retailers are privately owned like family owned business. The size of the business is based on the number of branch stores and the size of those stores. A small multiple retailer consist of 10 to 50 stores and anything above that is termed as a large retailer.
- c) Voluntary Retail Groups:** Retailer becomes voluntary retailer by becoming a member of a voluntary retail group. This is done to fight against the power of multiple retailers. They operate in variety of ways and gain some of the buying power advantages of multiple retailers, collecting orders from a number of independent retailers and negotiating with suppliers through central buying organisations.
- d) Retail Conglomerate:** When retailers become more powerful they also grow in terms of financial organisational activities like mergers, takeovers, alliances, and joint ventures companies. Many amalgamate under one retail base or as separate brands, for instance, Walmart retail brand include ASDA, San’s club, Tyre and Lube Express, Inters par wertkanf in the UK.

- e) **Franchise Retailing:** Franchises operate through agreement between two separate business organisations, where one organisation may provide product or a retail format while the other may provide the means by which an outlet is run. The franchises provide the human capital and the finance required for the facility. With this type of retailing, retailers can expand a successful growth without the need of high levels of investment.
- f) **Co-operative Retailers:** Co-operative retailers are those types of retailers where the customers of the business are also the owners of the business. Each customer is entitled to become a member the co-operative society. They receive the benefits of the success in co-operative society through dividend pay-out. The history of co-operative retailing can be traced back 1844 in the UK. A group of men known as the 'Rochdale pioneer' began a trade in grocery produce.

B) Based on Retail Formats:

Large retail organisations grow by adopting a particular retail format. The particular format used is considered to be part of a successful strategy for those retailers. They obtain economies of sales, efficiency and strong identity by following a successful format and repeating it on a geographical spread. These are mainly two formats of retail:

- a) Store – based formats and, b) Non Store formats

a) Store-based formats:

1. **Department Stores:** Department stores consist of multilevel stores say, six or seven. These stores have clearly defined areas of departments according to product category. Department stores are the oldest form of large store which emerged in the early 19th century. They offer width and depth in the product variety so that almost every shopping need can be met. There are some other department stores where it concentrates only on some categories but after a great choice within those categories. Most of the departmental stores around the world act as a tourist spots by attracting and giving sources of entertainment.

2. **Variety Stores:** Variety stores offer a large variety of products under one roof which includes both food and non-food items. This format has low price orientation compared to department store, which on the other hand traditionally follow higher prices to reflect the service level. Variety store combines the product and brand choice of the department store, but the store environment is very basic compared to department stores, where it is extensively designed internally.
3. **Specialist Stores:** Specialist stores offer a smaller product range. These stores are found in shopping centres or central retail areas. Specialist stores dominate in the retail. It's those stores which aims a narrowly defined customer market segment. Apart from selling products, specialist retailers also offer service products to consumers. Cafes, restaurants, banks, hair salons, beauty salons, food outlets, etc., are some of the examples for those specialist stores which offer products as well as service products.
4. **Category Killers:** Category killers first emerged in the USA. These are large specialist retailer which is specifically found in an out – of – town or edge of town, Retail Park or site. The product range is restricted to specified merchandise area, but the large size of store allows a very extensive selection within that classification. These stores offer goods that satisfy complex needs, but the service orientation is relatively low.
5. **Convenience Stores (C-Stores):** Convenience stores generally have features like self-service, parking facilities, open 7 days a week for long hours; a large variety of goods includes groceries, CTN products, toiletries, OTC Medicines, alcohol and stationary. C-Stores may be located in local corner areas like corner shop, petrol, forecourt shop etc.
6. **Super Markets, Superstores and Hypermarkets:** Supermarkets, superstores and hypermarkets all come under one group of retail format. These retail formats offer the customer a self-service and faster method of shopping. In these stores, the customers get involved with the product before purchasing it. Besides this, the space and labour

saving factors allow these retailers to offer a wider choice of product at lower prices. Today, the retail industry is dominated by the supermarkets. They have grown into super stores by offering more and more products. These stores adapt into the lifestyle changes and provide the most convenient method of shopping for the majority of household goods. Superstores are usually located in an edge or out of town. They provide extended product range featuring product categories like clothing, home furnishing and have entertainment goods. On the other side hyper markets are huge retail outlets located in an out of town location. It offers a wide range of products. Majority of hyper markets sells non-food items.

7. **Warehouse Clubs:** The retail outlets which carry a limited range of grocery and household products, home-oriented goods and clothing products are called as warehouse clubs. They normally stock about 3000-4000 product lines. In warehouse clubs, the customers should become a member to shop there. The products are low and the store environment is very basic. These are similar to cash and carry outlet where goods have to be purchased in larger quantities.
8. **Catalogue Shops:** A very little product is displayed in their shops. But the customers are provided with catalogues which contain wide variety of products, the customers are then allowed to search for their products which they like. After indicating the product they need, a payment is made by them and asked to wait for a short time while the product is, retrieved from a stock room attached to the 'showroom'. The catalogue shops are a cost-effective way of providing a high street outlet. But the product interaction and display is not possible because of the reliance on the catalogue for representing rather than real products.
9. **Discount stores:** Discount stores are those types of retail outlets which sell the products at a price level that is lower than typical high street stores. These stores may be small or they may be large departmental stores. The store environment is extremely basic and service level is very minimal.

10. Factory Outlets: Factory outlets are quite similar to discount stores.

These outlets offer a range of seconds-quality and previous season's stock. These outlets give an opportunity to manufactures to sell off unwanted merchandise without damaging the image of the main product or retail brand. It also allows accessibility to those customers who might not be able offered the brands. Factory outlets are normally single site retailers and would be located in one of the growing number of factory outlet villages.

11. Charity Shops: Charity shops are those shops which sell stock which has been donated. These shops are often located in the silent areas of major cities or towns or in smaller town. Charity shops are famous in the UK.

b) Non-Store formats:

Non store formats are those where consumers purchase products using a shopping method which does not include a store. These types of formats offer the consumer a higher level of convenience in the shopping process. Consumers can shop just by sitting at home and also shop at any time of the day. Non-store formats are helpful for personal purchases and require no physical presence in the shop. The important non-store formats are:

1. Mail Order: Print media is the basis for mail order format. Catalogues will be sent to consumers and they order from the catalogues either by telephone, by post or online. There are other types of mail order where wide variety of specialist retailers issue smaller catalogues to consumers through the postal system or as enclosures with other publications. This format also includes printed media based advertisements and they depend on consumer response for the transaction to be completed.

2. Direct Selling: One-to-one offers from producers to consumers are termed as direct selling. They may even take the form of direct mailing to individual consumers, telesales and personal retailing. This type of marketing builds on one-to-one relationships between consumers and goods and service sellers.

3. Personal selling: Selling the products by making personal approaches is called as personal selling. In other words, it takes the form of door-to-door selling. Today door-to-door selling has taken every organised approach. Party plan formula, pyramid selling, etc., are some of the various organised approaches to direct selling.

C) Technology – Based Retailing:

Today, retailing is increasingly influenced by technology. The impact of technology on the shopping process has changed drastically. Following are important technology based retailing:

- a) **Vending:** Oldest form of technology based retailing is by using vending machines. Vending machines was first used by the retailers who were present in the USA in 1880's to sell gum to New York City travellers. After the further growth in technology vending machines were used to make clothing items.
- b) **Telesales:** Telesales are that type of technology based retailing where retailers offer products by a personal telephone call. This is a very common method of consumer response to non-store retail offerings. Call centres play a major role in retail transactions of this type. The serious disadvantage of telesales is that, it does not provide any product representation.
- c) **TV Shopping:** Shopping through television is called as TV Shopping. This type of technology based retailing is useful for services retailing like travel, entertainment, insurance, etc., especially when the product is intangible, information based and the price offer is variable. But it suffers from the product representation.
- d) **Internet retailing:** Internet offers a very convenient manner of shopping. It's a sophisticated and interactive medium used to access information about everything. In the process of shopping, the consumers can accumulate information about retailers' product and services offering that might be geographically remote from them. Internet retailing provides a channel of discovery for the consumer and a way of providing home shopping services for a wider target market for the retailer. The e-retailer

can be accessed from PC, Mobile phone or the hand held personal organizers. This retailing offers very flexibility in information gathering about required products and delivery of the product or service is also faster. That means Pre-sale shopping and post-sale activity is very flexible in internet retailing.

D) Generalist and Specialist Retailers:

- a) **Generalists:** Generalist retailers are those who supply a relatively wide range of products to satisfy a large number of consumer requirements. Supermarkets come under this category of retailers. These retailers offer a large number of categories of merchandise, but little product variation or brand choice within each product type. That means, a supermarket consists of product range which satisfies the majority of basic consumer needs but, does not have the space to offer the brand and product variation in terms of colour, flavour, size, etc.
- b) **Specialist Retailers:** Specialist retailers offer a range of products that satisfy a particular or narrowly defined consumer need, the depth of product variation within those products is great. In these retail stores product range will be very narrow, but the brand and product variation is very large.

The classification of retailers as generalists or specialists is difficult; some retailers specialize in part of their product range, but adopt a generalist approach to others. Non-store formats can take a generalist or a specialist approach.

3.12. Organised Retailing:

An Organised Retailing should have the following features:

- a) It should be professionally managed.
- b) Transparency in accounting.
- c) Organised supply chain management with centralised quality control and sourcing.

Thus, a retail outlet should possess the above features in order to call it as an organised retail outlet.

An organised retailing is professionally managed, having transparency in accounting and consists of organised supply chain management, having centralised

quality control and sourcing. Even if the retail business is seen by family, the organised retailing follows professionalism. Transparency in accounting is achieved by proper usage of management information system (MIS) and accounting standards. Thus, an organised retailing must consist of the above discussed essential features.

History of organised retailing (world perspective):

In the late 1800's America's Montgomery ward started retail business. It was marketing products through general merchandise mail order catalogs (a non-store format). This format of retailing became very effective at that time and reached large rural society. As the economy started shifting from agricultural base to industrialisation, the population began its movement towards suburbs of the country. In 1960's and 70's the industrialisation was at its peak in America. The first shopping centre JC Penney and Sears was opened which led to the close of road side retailing business. After that, other major retailers opened shops and introduction of credit cards gave a push to the sales for the major retail chains. In the same year's growth of enclosed shopping centers were enormous. Department stores especially retail chains mushroomed.

Retail in India:

Indian retail industry is dominated by unorganised retailing. It mainly consists of small, independent, owner-management shops. The retail sector contributes more than banking and insurance to national GDP. So it is considered as the largest industry in terms of contributing to GDP. There are majorly two types of retail industry in India, the organised sector and unorganised sector. All the licensed retailers come under organised sector. The retailers who are registered for sales tax, income tax, etc., and who employ more than 10 persons are the licensed retailers. The local 'kirana' shop owners, convenience stores, hand cart vendors, pavement (foot path) vendors, 'father and sons' outlets, 'naats' and 'meals', etc., come under unorganised retail sector.

In India, the unorganised retailing is the most common and existing form of retailing. Nearly two thirds of the stores are located in rural areas which are mostly unorganised retailing. The retail industry is largely fragmented in India. It consists of small individual owned businesses. The average size of an outlet would be 50sq.ft.

Overview of retailing in India:

Year	Stage of growth
Prior to 1980s	Emergence of first organised retail through textile sector
During 1980s	Emergence of brand and branded retail outlets
During 1991	Open up of the economy, shopping malls established
1990 – 1995	Multiple formats and product categories introduced
1995 – 1999	Modern malls were introduced
2000 – 2005	Rapid expansion of multiple formats in retail.
During 2005	Emergence of high street shopping centers.
During 2006	51% FDI allowed to single brand retail firm by the government
2006 – 2010	Rapid expansion of modern and single branded store.
2010 to till date	Approval of 51% FDI in multi-brand and 100% in single brand,Rapid growth in retail industry by registering an estimated total market size around US\$600 billion in 2015
2020(expectation)	India is expected to grow to US\$ 1.3 trillion.

Now, India is the fifth largest preferred retail destination globally. India's retail sector is experiencing tremendous growth. The retail development taking place is not just in major cities and metros, but also in tier – 2 and tier – 3 cities. In terms of per capita retail store availability, India is the highest in the world. The major factors responsible for the growth of the organised retail market in India are, healthy economic growth, changing demographic profile, increasing disposable incomes, urbanisation, changing consumer tastes and preferences etc.

Growth opportunities in Indian organised retail environment:

There is abundant opportunity in Indian organised retail industry. It is offering the favourable environment to setup retail outlets both in urban and rural areas. Further it is also contributing to the growth of retail sector in India. Following are the important opportunities which are observed in organised retail industry:

Highest retail outlets with high growth:

Globally, India is the fifth largest of the most preferred retail destination. The retail industry in India is one of the fastest growing industries in the world. It is expected to grow to US\$1.3 trillion by 2020, registering a compound annual growth

rate (CAGR) of 16.75% over 2015-20 and, India is ranked highest in the countries of the world in terms of per capita retail store availability. The retail industry is registering tremendous growth with retail development taking place across the country. The factors driving growth in the organised retail in India are:

- a. Healthy economic growth
- b. Changing demographic profile
- c. Increasing disposable income
- d. Urbanisation
- e. Changing consumer tastes and preferences

Growth potential in rural markets:

- Rural retail market in India constitutes more than 33 per cent of FMCG consumer base. This high growth potential attracts investors to invest in rural retail markets with increasing investment in infrastructure.

Private label opportunities:

- The organised Indian retail industry has begun experiencing an increased level of activity in the private label space.
- Private label strategy is likely to play a dominant role as its share in the US and the UK markets is 19 and 39 percent respectively, while its share in India is just 6 per cent. Stores like Shoppers' Stop; Lifestyle generates 15 to 25 per cent revenues from private label brands. Growth of online retail is also augmenting the growth of private label brand in India.

Sourcing base:

- India's price competitiveness attracts large retail players to use it as a sourcing base.
- Global retailers such as Walmart, GAP, Tesco and JC Penney are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices.

Luxury retailing:

- Luxury retailing is gaining importance in India. This includes fragrances, gourmet retailing, accessories, and jewellery among many others. The Indian consumer is ready to splurge on luxury items and is increasingly doing so.
- The Indian luxury market is estimated around USD1.16 billion; yearly growth rate of luxury market is 13 percent.
- This will make India the 12th largest luxury retail market in the world by 2020.

Indian retail formats:

There are various retail formats in India. The kinds of retail formats include:

- I. Malls:** Malls give floor space to individual shops on lease basis. This helps the malls in sharing costs. The combined demand for brand of all outlets creates total demand for mall. The largest shopping mall in India is Spencer plaza which is 6,00,000sq.ft. in Chennai.
- II. Branded Stores:** The Indian retail is developed majorly by exclusive showrooms which are run by premium brands. Many exclusive outlets are started in major cities to showcase the traditional brands, for example, Madura garments in cities like Trichy and Thanjavur.
- III. Departmental Stores:** Many apparel business forms are converted into major departmental stores in India. For example, Mumbai's biggest departmental store, K Raheja's Shoppers' Stop has more than seven large stores across India.
- IV. Speciality Stores:** There are many speciality stores in India which focuses on specific market segments like, Sapna Book house; Bangalore based Kids Kemp, Mumbai's books Crossword, RPG's Music world, etc. These stores have created strong roots in the retail sector.
- V. Convenience stores:** Many convenience stores are also established in India in major cities. Trumart, Nilgiris, Food World, Subhishka, Reliance Fresh, Tirtenthra, Spencers Daily and Spinach are the major convenience stores in India.

An over view of competitive landscape in Indian organised retail sector:

The major formats in Indian organised retail sector and various competitive outlets present in each format are can be seen as follows:

Retail Format	Retail outlets
HYPER MARKET	<ul style="list-style-type: none"> • Pantaloon Retail is the leader in this format, with 512 Big Bazaar stores and online franchisees • Hypercity (16stores), Trent, Spencer's (Spencer Hyper), Aditya Birla Retail & Reliance are the other players. • Vishal retail has 171 stores in 100 cities, Magnet, Star India Bazaar, Shop Rite are also the players of this format in India.
DEPARTMENTAL STORES	<ul style="list-style-type: none"> • Pantaloon has 104 stores • Westside operates 86 stores • Shoppers Stop has 66 stores • Reliance Retail launched Trends in this format and currently has nearly 100 stores across India. • Pyramid, Mega Store, Life Style, Globus and Central Mall are also the prominent players of this format in India.
CONVENIENCE STORES	<ul style="list-style-type: none"> • Aditya Birla Retail – 1,735 stores • Spencer's Daily – 134 stores • Reliance Fresh – 700 stores • REI 6Ten – 350 stores • TruMart, Nilgiris, Subhishka, Spencer's Daily and Spinach are also comes under this retail format in the country.
SPECIALITY STORES	<ul style="list-style-type: none"> • Titan Industries is a big player, with 430 World of Titan, 174 Tanishq, and 336 Titan Eye+ shops under speciality stores format in the country. • Vijay Sales, Croma, and EZone are into consumer Electronics
SPECIALITY FORMATS	<ul style="list-style-type: none"> • Archies, Depot, Landmark and Crossword (focus on books and gifts), Decathlon and Planet M are the key players in this organised retail format in the country.
FURNITURE RETAILING	<ul style="list-style-type: none"> • Concept, Living Style, Style Spa and Tangent are the retail stores of this format.
CONSUMER DURABLE CHAINS	<ul style="list-style-type: none"> • Viveks, Tata Croma, Sumaria and Sony Money are comes under this organised retail formats.
CASH AND CARRY STORES	<ul style="list-style-type: none"> • Metro started the cash-and-carry model in India; the company operate 16 stores across Mumbai, Kolkata, Delhi, Punjab, Hyderabad and Bengaluru. • Reliance opened its first cash-and carry store in September 2011.