
UNIT 3 FORMATS OF RETAILING

Objectives

After reading this unit, you should be able to:

- classify retail formats;
- explain the characteristics of traditional retail formats;
- discuss the modern retail formats; and
- appreciate the emerging retail chains across sector.

Structure

- 3.1 Introduction
- 3.2 Classification of Retail Formats
- 3.3 Traditional Retail Formats
- 3.4 Modern Retail Formats
- 3.5 Impact of Economic Liberalisation
- 3.6 Types of Chain Stores in the Indian Context
- 3.7 Summary
- 3.8 Self-Assessment Questions
- 3.9 Further Readings

3.1 INTRODUCTION

The term Retail Format refers to the basic structure of a retail business conceived, designed, and developed to cater to the needs of the end customer.

Retail formats 'come in a whole variety of shapes and sizes. These can be quite different in terms of the ownership of retail business itself, the characteristics of the premises used and the orientation of the product range.

Some types of formats have been in existence with us for over a century, while new kinds of retail formats are fast emerging and developing, offering the customer a constantly evolving choice of shopping arena, which embraces an enormously wide range of businesses. You may kindly refer to unit 1 of this course for more information on retail formats.

3.2 CLASSIFICATION OF RETAIL FORMATS

Retail formats can be classified as below:

- Traditional Retail Formats vs. Modern Retail Formats
- Store Based Retail Formats vs. Non Store Based Formats

3.3 TRADITIONAL RETAIL FORMATS

Includes the following formats, which are quite familiar to all of us.

- Kiranas and Independent stores, the traditional mom and pop stores



- Kiosks
- Street Markets

Traditional retail formats have long been part of the retail landscape of India. The above mentioned formats are typical of the unorganized retail sector across product categories.

Independent and kirana stores have emerged with the spread and density of population.

Historically, they are traced to the generation of surplus agriculture that needed to be sold to obtain other essential commodities by the producer. These are family-owned stores represent the retail business in India. These are usually shops with a very small area, stocking a very limited range of products varying from region to region according to the prevailing needs and demands of the customers. About 78% of such retail stores are small family-owned businesses utilizing only household labour. The retailer offers credit facilities depending on the size of the business and seeming credibility of his customer. These are low cost structures, mostly owner operated, have minimal or no real estate and labour costs and little or negligible taxes to pay.

Kiosks, are those category of low cost small time retailers like tea stalls, snack centers, barber shops, pushcart and Mobile vendors.

Street markets are a common sight in every location big or small catering to all including the floating public. Convenience and location are the major factors for their popularity.

3.4 MODERN RETAIL FORMATS

You would agree and also appreciate that modern retail formats and store based formats are one and the same. Each of these stores have an entity of its own to cater to. You may kindly note that unit: 21 of this course is completely devoted to the non-store formats in retailing. Modern retail formats include the following:

- Department Stores
- Variety Stores
- Supermarkets/Hypermarkets
- Convenience Stores
- Discount Stores
- Catalog Shops
- Factory Outlets
- Company Owned Company Operated.

Department Stores

These are the oldest form of large store concept.

Traditionally offers a collection of personal and home furnishings goods under one roof to an increasingly demanding middle-class customers.

It is a multi-level store format usually between 2-5 stories which are segmented into clearly defined areas according to the product category.



Variety Stores

Basically an American concept a tried and tested formula now slowly started picking up in India too. This format offer a large variety of goods under one roof, including both food and non-food items.

The variety store differ from departmental store in the following aspects:

Product Range

- Prudent range is wide and include clothing food, home furnishings.
- High proportion of own-branded product.
- Not much choice in product categories.

Store Environment

- Basic format
- Uncultured
- Clearly laid out
- Usually over one or two floors
- Straight forward approach to product display
- Self Service

Prices

- Medium to low
- Value driver

Supermarkets/Hypermarkets

A highly successful retail format imported from USA in the middle of twentieth century. The success is attributed for the advantage of offering self service, and therefore a much faster method of shopping, especially for those shoppers for whom time is scarce commodity. In addition, the space and labour saving factors allowed retailers to offer a wider choice of products at lower prices.

The major benefits of this retail format are:

- allows the customer to get involved with the product,
- the ability to peruse the product offering,
- try new products and impulse purchase,
- appeals to the increasingly rich.

In view of the above advantages both for the marketer and the buyer, the supermarket concept was quickly adopted as a principal method for acquiring everyday goods. Supermarkets now play dominant role in the retail industry. These supermarkets have further grown into superstores offering more and more products, adapting to change in lifestyle to provide the most convenient way to shop for household goods for the bulk of households.

Supermarkets, superstores and hypermarkets can be considered in the same family of retail format.



Convenience Stores

The criteria applied to this store based format is :

- Self service
- 1000-3000 sq. ft selling area
- Parking facilities,
- Open 7 days a week for long hours
- Wide range of products, with limited brand choice
- OTC medicines
- Toiletries etc

In India, such long hours convenient stores are found at fuel stations which are and managed by the respective leading oil marketing companies. Other possible areas are bus terminals, airport lounge, and highways and host of other locations.

Discount Stores

As the name suggests that this retail format's key characteristic is the price of the merchandise offered by the store, which is subject to individual customer perceptions. By and large a discount store is a retailer that sells merchandise at a price level that is lower than the 'typical high-street stores'. It is customary that the discounter uses an everyday low pricing policy.

Catalog Shops

These retail formats are fast emerging in the Indian scenario. specifically by the major importers of furniture who resell the product locally. These are sometimes referred to as catalog showrooms.

The basic design is that a very little product is displayed in the outlet in comparison to the range as a whole, but informative catalogs are available for customers to browse through if they wish to. Having decided the product the payment is made and the customer waits for a while for till the desired product is retrieved from the warehouse which is attached to the showroom or store front.

The major demerit of this format is in terms of product interaction and display, because of the dependence on the catalog for decision making.

Factory Outlets

To a large extent this format is similar to that of a discount store. The outlet offer customers a range of seconds-quality/or previous season's stock. The major advantage is that it helps the manufacturer to dispose off unwanted merchandise without damaging the image of the main product or retail brand, which otherwise occupies large storage place with funds locked in for a long time. From the customers perspective they have an advantage to access certain brands which might not normally be able to afford the brands. These outlets are a common sight either next to the factory premise, and now a days you can see them in dozens on the outskirts of major cities and towns.

Company Owned Company Operated

These retail outlets are scattered across the length and breath of the country Bata, outlets are a classic example and also some of the government controlled textiles showrooms, state emporia and similar such retail outlets of different product categories.



Activity 1

Make a visit to 3 retail outlets at random in your location/city go through each of these stores and carefully observe and report to which category of modern formats they belong. Give reasons.

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3.5 IMPACT OF ECONOMIC LIBERALIZATION

If you look back, since 1990, i.e. post economic reforms of liberalization, privatization and globalization competition and foreign investment was at its peak which led to a proliferation of brands with both foreign and Indian companies acquiring a strong brand equity for their products. Hence, franchising emerged as a popular mode of retailing. In 2002, there were over 5000 franchised outlets. The sales of franchises grew at a rapid pace of 14% per annum.

3.6 TYPES OF CHAIN STORES IN CONTEXT THE INDIAN CONTEXT

Besides, franchising the other major retailing format that became popular in the Indian context is the multiples, which are better known as "Chain Stores". There were about 1800 chain stores in the year 2002, which are now growing in leaps and bounds.

These chains are predominant with respect to some important product categories such as:

- Food
- Health and Beauty Products
- Clothing and Footwear
- Home furniture and Household goods
- Durable Goods
- Leisure and Personal goods

Food Chain

If you closely observe there are a variety of retailers operating in the food retailing sector. This is true considering the enormous size of the market for food. However, traditional types of retailers, who operate small single outlet businesses mainly using family labour, dominate this sector. In comparison, supermarkets account for a minuscule proportion of food sales. This is for the simple reason that these outlets have a strong competitive strengths which include low operating costs and overheads, low margins, proximity to customers, long opening hours, and additional services to customers (home delivery).

Nevertheless, supermarkets sales also expanded at a much higher rate than other retailers. This is because of increasing number of higher income Indians prefer to



shop at supermarkets because of convenience, higher standards of hygiene and the enticing ambience.

Health and Beauty Products Chain

With rise in income and the urge to look good and maintain sound health made Indians spend a considerable amount on health and beauty products. As in case of other retailing sectors, small single-outlet retailers also dominate sales of health and beauty products. However, in the recent past a good number of retail chains specializing in health and beauty products have sprung up. Currently they account for a reasonably good share of sales of these products. However, as Indians spend more on such products in future, their business will undoubtedly expand substantially and grow exponentially with more scope for new entry of such chains.

Clothing and Footwear Chain

There is no city in India, where you do not find a clothing and footwear outlet. These outlets are omnipresent particularly in shopping centers and markets. You generally find a mix of traditional and modern stores. Traditional outlets are characterized by size and cramped with little emphasis on attractive displays. These outlets basically stock a limited range of cheap and popular items. In contrast, modern stores are spacious with sample products attractively displayed in windows, sometime with mannequins. Similar to food retailing, there are also innumerable number of retail outlets selling clothing and footwear in makeshift stalls or on pavements. The rock-bottom prices offered by these category of sellers which are much lower than the prices offered by branded products make them attractive to large number of customers.

Home Furniture and Household Goods Chain

The home furniture and household goods retailing sector in India is predominantly belong to the small retailers from the unorganized sector. Despite the large size of this market very few modern and large retailers have established specialized stores for these products. Looking at the increase in income levels and the changing life styles of consumers there is a considerable potential for the entry of specialized retail chains and it is likely that this possible in the next couple of years.

It may be noted that at present a few leading brands are imported and sold in the Indian market.

Durable Goods Chain

We have witnessed a large number of foreign consumer durable companies into the Indian market during the 1990s. Thank, to the governments decision of inviting foreign investment and import policies. This move has transformed this sector dramatically. A much wider variety of consumer electronic items and household appliances became available to the Indian consumer. Competition among companies to sell their brands provided a strong impetus to the growth for retailers operating in this sector.

Leisure and Personal Goods Chain

A sharp rise in household income due to economic growth spurred consumer expenditure on leisure and personal goods in India. It is very common to see specialized retailers for each category of products in this sector. A few retail chains has emerged particularly in the retailing of books and music products in almost all the metro cities and other major cities and towns in the Indian scenario.



Activity 2

Try and move around any shopping complex/malls or market place in your location and try and identify any other chains stores which has emerged in the recent past and comment on the factors that lead to its formation.

3.7 SUMMARY

IGN have introduced you to the various kinds of retail formats in the Indian scenario, which include both traditional and modern retail formats, on one hand and store-based and non-storebased on the other. We have also covered each of these formats and their characteristics particularly in the store-based category. However the non-store based formats are covered in unit 21 of this course. We have also dealt with the emerging retail chains of specific product categories in the Indian context.

3.8 SELF-ASSESSMENT QUESTIONS

- 1) Discuss the various traditional formats that you are familiar with? Comment how relevant they are in the current retail business environment.
- 2) Define -a modern retail format. How does it differs from a traditional retail format?
- 3) List out all the modern retail formats in the Indian context and explain each of them briefly.

3.9 FURTHER READINGS

Principles of Retail Management by Rosemary Varley & Md. Rafiq

Retail Management by Chetan Bajaj, Rajnish Tuli, Nidhi V. Srivastava