

RETAILING

DEFINITION(S) OF RETAILING

- ✘ Retailing is the activities involved in selling commodities directly to consumers. (B2C)
- ✘ Retailing consists of the sale of goods or merchandise from a fixed location, such as a department store or by post, in small or individual lots for direct consumption by the purchaser. Retailing may include subordinated services, such as (transportation &) delivery.
- ✘ *Retailing entails a commercial transaction* in which a *buyer* intends to consume the goods or *services* for personal, *family*, or *household* use.

DEFINITION(S) OF RETAILING/RETAILER

The interface between the producer and the consumer buying for personal consumption. This excludes the direct interface between the manufacturer and the institutional buyer like the government and other bulk customers.

A retailer is one, who stocks the producer's goods and is involved in the act of selling to individual consumer at a margin of profit

DEFINITIONS.....

✘ From a customer's point of view:

A retailer serves the customer by providing the goods, he needs in the required assortment, space and time.

From an economic stand point:

the role of a retailer is to provide real added value or utility to the customer

From a social a social perspective:

A retailer understands the need of the customer

SCOPE OF RETAILING

Retailing involves:

- ❖ Understanding the needs of consumers
- ❖ Developing good assortment of merchandise
- ❖ Displaying the merchandise in an effective manner so that consumers find it easy and attractive to buy.

CURRENT SCENARIO

A glimpse of the International Retail:

- ✘ One of the world's largest industries exceeding US\$ 9 trillion
- ✘ 47 global Fortune 500 companies and 25 of Asia's top 200 companies are retailers
- ✘ Dominated by developed countries
- ✘ US, EU and Japan constitute 80% of world retail sales.
- ✘ Biggest player in India is Pantaloon Retail India Limited.

PERCENTAGE OF ORGANIZED RETAIL

USA	-	85%
Taiwan	-	81%
Malaysia	-	55%
Thailand	-	40%
Brazil	-	36%
Indonesia	-	30%
Poland	-	20%
China	-	20%
India	-	10%

Index of
civilization ?

EVOLUTION OF RETAILING

India - Neighborhood shops

Vendors

Small grocery stores

Structure

Informal

Fragmented

Highly unstructured

NEW CHANGES IN FDI RULES

- ✘ Retailers, local and global, as well as private equity (PE) investors are closely tracking the new government's moves on foreign direct investments (FDI) in retail.
- ✘ Plans are expected to get clearer to pave the way for the next round of fresh retail strategies.
- ✘ Currently, the cash-strapped sector is desperately seeking fresh funding and partnerships with foreign retailers.
- ✘ The sector is growing with value retailing bringing in most of the footfalls.

NEW CHANGES IN FDI RULES

- ✘ *Kishore Biyani, CEO of Future Group*, is optimistic on this front and keen that the market opens up, more.
- ✘ “FDI has to happen. That is the next way to encourage big-ticket moves and push consumption in India,” he says.
- ✘ Favourable demographics, upbeat consumer trends and changing lifestyles saw modern retailers growing at over 40% in the past few years-albeit, small on a very low base
- ✘ Initial concerns over foreign retailers having an edge over local retailers have worn off and partnerships seem to be the way ahead.

NEW CHANGES IN FDI RULES

- ✘ In 2006, the government gave its nod to 51% FDI in single-brand retail.
- ✘ In 2011, the government allowed 100% FDI in single-brand retail.
- ✘ Cabinet approved 100% FDI in single-brand retail via automatic route in June, 2018.
- ✘ 51% FDI allowed in multibrand retail currently.
- ✘ “We are, at the moment, neutral about it. We have a good arrangement with Woolworth. Maybe, the new government will encourage some developments on this front,” said **Ajit Joshi CEO of Tata’s Infiniti Retail** which owns durable retail chain, Croma.

FDI IN RETAIL (2007)

- ✘ No political consensus
- ✘ 51% FDI for single brand retail
- ✘ Barrier to entry for MNCs like Wal-Mart, TESCO (wide range of branded and privately labelled goods)
- ✘ Retail being about contents, warehousing, cold chain, logistics and farming, govt. thinking about FDI is difficult.
- ✘ MNCs' entry may adversely impact 1.3 crores retailers.

CHARACTERISTICS OF SELECT RETAIL FORMATS

<i>Format</i>	<i>Description</i>	<i>Size sq.ft. (Intl.)</i>	<i>(Size sq.ft.) (India)</i>	<i>Examples</i>
Category Specialist/ Killer Category Killer	Offers a narrow variety of a very deep assortment of the merchandise.	50,000+	15,000+	Circuit City, Toys R US, Home Depot, Nall's, Kumaran (Chennai), Toykemp (Banglore), The Loft(Mumbai), Vijay Sales (Mumbai), 7-Eleven, Speedmart, In&Out.
Convenience Store	Usually located near residential areas & open long hours. Offers an assorted mix of products including milk, bread and eggs.	3,000– 8,000	500– 1,000	
Department Store	Large stores selling several product lines, with each operating as a department. Product mix is largely non-food, like apparel, accessories, books, music, footwear, etc. Level of service is very high.	75,000+	5,000– 40,000	Marks & Spencer, Harrods, Selfridges, Macy's, Bloomingdale's, Shopper's Stop, Pantaloons, Globus, Ebony.
Factory Outlets	Stores which sell branded merchandise at a discount. Levels of service are low. Typically, these are franchise outlets located away from the main markets.	5,000– 10,000	500– 1,000	Levi's Factory Outlet, Reebok Factory Outlet, Wrangler Factory Outlet.
Hypermarket	Large self service stores selling a mix of products. These stores offer depth in the product mix, which includes food and non food items like apparel, CDs, DVDs footwear, etc. The low price of the products is a key attraction for the customer.	80,000– 220,000	40,000– 75,000	Wal-Mart, Big Bazaar, Giant, Sabka Bazaar.
Single Price Store	Offers an assorted mix of branded and unbranded merchandise, to appeal to the budget conscious customer.	5,000– 20,000	500 +	Family Dollar, Dollar General, 9 to 9, 49 to 99.
Speciality Store	Focuses on a brand or a particular category. It offers a narrow product line, but good depth. Level of service is high.	5,000– 8,000	2,000– 5,000	Walgreens, Boots, Crossword, Planet M, Rhythm House, Musicworld.
Supermarket	These stores offer food, laundry and household maintenance products. They are self service, low cost, low margin and high volume operators.	8,000– 20,000	800– 5,000	Asda, Kroger, Tesco, Foodworld, Foodland, Food Bazaar, Nilgiri's.