# *Formats of Retailing*

- The word retail is derived from French words "re" and "tailer" whose meaning is to "cut again".
- In retailing goods are sold in small pieces to make a profit.
- Retailing involves various activities to sell to end consumers for their non-business and personal use.
- The meaning of retailing is to sell goods from a fixed location such as from kiosk, departmental store, or by post.

**Functions performed by retailers**

- Offers Two-ways communication
- Offers personal services to customers.
- Commence physical movement and storage of goods.
- Facilitates grading and standardization.
- Stock goods to supply to customers on immediately.
- Assembles goods from various sources.
- Create demand by the window display.
- Extend credit facility.

# *Different formats of Retailing*

## *IN-STORE RETAIL STORES*

### 1. *Department Stores*

- Department stores are large stores which sell different types of products under one roof in different departments.
- Each department has an individual specialization of merchandise.
- Each store is handled separately in accounting, management
- The latest trend in department stores is to add departments for sports and recreational equipment and automotive along with providing services like travel advice, insurances, and income tax preparations, etc.
- Department stores can also be referred to as shopping centers.

# Types of Department stores

- ***Chain Department Stores*** **–** This type of stores is owned and managed centrally.
- ***On the basis of income groups*** **–** These stores are designed to serve people with high- and middle-income groups. These stores sell high-quality goods and provide first class services to its customers. there are also stores which are designed to cater to people with low income.
- ***Leased department*** **stores –** The stores whose operations are given out on lease are called leased department stores.

# *Advantages of Department stores*

- Department stores usually buy products in bulk which gets considerable discounts.
- Department stores buy directly from the manufacturer therefore, it eliminates any middleman charges results in high profits.
- Department stores attract customers because of the convenience offered by them for people of all classes.
- various services like liberal credits, expert assistance for shopping, and delivery services can be provided to customers.
- Because of its large scale of business expert supervision can be provided for each department.
- Department stores can afford to spend on advertising to lure customers to buy more.

For example, within department stores, various discount and offer advertisements are placed to make customers purchase more than they plan to buy.

# 2. Super Markets

- Supermarkets are self-service stores that sell a wide range of food as well as non-food products.
- supermarkets have at least four basic departments such as self-service grocery, dairy produce, meat, and household department.
- These stores can be either entirely operated by owners or they are given on lease to others to operate.

***Features of supermarkets***

- Goods are displayed in bulk.
- Supermarkets are located in nearby housing areas so that people have easy access.
- These stores offer a wide range of products, low prices, nationally advertised brands, and also convenient parking.
- It follows the “cash and carry” policy.
- Minimum customers service is provided in these stores as these stores work on the basis of self- service.

# 3. *Chain Stores or Multiple Shops*

- In this format of retailing, a chain store consists of four or more stores sell the same kind of merchandises and are owned and managed by a single owner.
- The supplies are stocked in chain stores are provided by one or more warehouses owned by the chain store owner.
- In chain stores, customers are approached to provide them assistance and not forced to make purchases.

***Features of Chain stores***

- When one or more shops are run under one name are called chain stores.
- There is centralized control over all the shops.
- Chain stores are integrated stores.

# *Chain Stores or Multiple Shops*

***Advantages of Chain Stores*:**

- Chain stores offer low selling prices.
- Low advertisement cost as the advertisement is done on a central basis.
- Chain stores work on a cash basis. Therefore, there are fewer chances of bad debts and less accounting process required.
- No need to look for costly and centralized locations.

# 4) *Discount Houses*

- Discount house is a type of retail format which operates at low cost and almost no customer's service.
- These stores are large in size, open for public and advertised heavily.
- They sell a wide range of products of well-known brands, housewares, appliances, sporting goods, house furnishing, toy and automotive services, and clothing, etc.
- These stores operate on a self-service basis and no customer service is provided in them.
- The stocks in discounts houses are bought from both wholesalers as well as manufacturers.

# *Formats of Retailing*

- Almost 80% of transactions are made *In -stores*. However, with the increase in the non-physical transaction the concept of non-store retail stores came into existence.
- The rest 20% of trading transactions take place in ***non-store retail stores.*** There are five types of non-store retail trading formats such as telemarketing, direct selling, automatic vending, online retailing, and direct marketing.

# *Non-store Retail Trading Formats*

1. ***Direct Selling***

- o Direct selling is also referred to as home selling.
- o Direct selling is when customer and seller have direct contact with each other away from the store.
- o Most of the companies market various types of product through direct selling.
- o Direct selling is the best-suited way to sell products which require extensive demonstration.

***Features of Direct selling***

- The whole business is controlled centrally.
- There is no building to display products.
- The seller needs to establish a relationship with the customers to gain their trust.
- Direct selling does not require heavy initial investments.

# 2. Telemarketing

- Telemarketing is also known as telephone selling.
- In telemarketing, a salesperson initiates a sale over the phone to a prospect and close it over the phone only.
- There are various products such as magazine subscriptions, club memberships, and credit cards which can be sold without seeing are usually sold over the phone.
- The cost of selling through telephone has reduced drastically after the introduction of computers, as computers can dial automatically, deliver recorded messages, and even record information provided by the buyer.

# 3. Online Retailing

- In online marketing, there are one or more businesses involved and the buyer is an ultimate consumer.
- Some online retailers launch general products form retailers such as Wal-Mart.
- On the other hand, there are some firms like "Amazon" which uses different methods broaden their business

# 4.Direct Marketing

- Direct marketing is a way of contacting customers through broadcasting or print media.
- The products are advertised on these media and customers buy products online without even going to retail stores.
- The different platforms to contact customers through direct selling are Television, radio, magazines, newspapers, mailing, and catalogs, etc.
- Direct marketing also offers shopping convenience to consumers and it is also less expensive than owning a physical store as a seller don’t have to run store to sell.

# 5. *Franchising*

- In this retail format, a businessman who owns the business (known as a franchise) and a company who offers business (known as franchiser).
- A businessman can use the name of already well-established business's name to run their business under a certain condition set up franchiser.
- A franchiser decides certain areas like site selection, location, training, management, marketing, financing, promotions, and record-keeping, etc. In addition to this, he also has rights to decide standard operating procedures and trade name of the business.

# 6. *Mom and Pop stores*

- Mom and Pop stores are types of retail format which is a small, independent, family-owned business.
- Mom and Pop stores can be different types of establishments such as bookstores, restaurants etc.
- Mom and Pop businesses have a high scope of success because more and more people demand personalized products and services.
- This type of stores is also supported by people of local communities as they want to invest their money in local businesses over foreign businesses.

# 7. Speciality Stores

- Specialty stores are small in size and they generally offer limited products categories but provides a high level of service. Eg.Drug Store.

# *Theories of Retailing*

1.**THEORY OF WHEEL OF RETAILING:**

- The theory was given by Malcolm P. McNair.
- This theory states that in a retail institution changes takes place in a cyclical manner.
- **The cycle is**: The new retailer often enters the market with a low status, low profit margin, and low price store formats.
- Later they move to up market locations and stock premium products to differentiate themselves from imitators.
- Eventually they mature as high cost, high price retailers, vulnerable to new retailers who come up with some other novel retailing format/concept.
- This same retailer will in turn go through the same cycle of retail development.

# THEORY OF WHEEL OF RETAILING

- The cycle can be broadly classified into three phases:
- Entry Phase
- Trading up phase
- Vulnerability Phase

***ENTRY PHASE :*** The new, innovative retailer enters the market with a low status and low price store format.

He starts with a small store that offers goods at low prices or goods of high demand. This would attract the customers from more established competitors.

He tries to keep the costs at minimum by offering only minimal service to customers, maintaining a modest shopping atmosphere, locating the store in a low rent area and offering a limited product mix.

# Theory of wheel of retailing

- Success and market acceptance of the new retailer will force the established competitors to imitate the changes in retailing made by the new entrant. This would force the new entrant to differentiate its products through the process of trading up.

- ***TRADING UP PHASE***

- New retailer tries to make elaborate changes in the external structure of the store through up gradation.

- Retailer will now reposition itself by offering maximum customer service ,a posh shopping atmosphere , and relocating to high cost area.

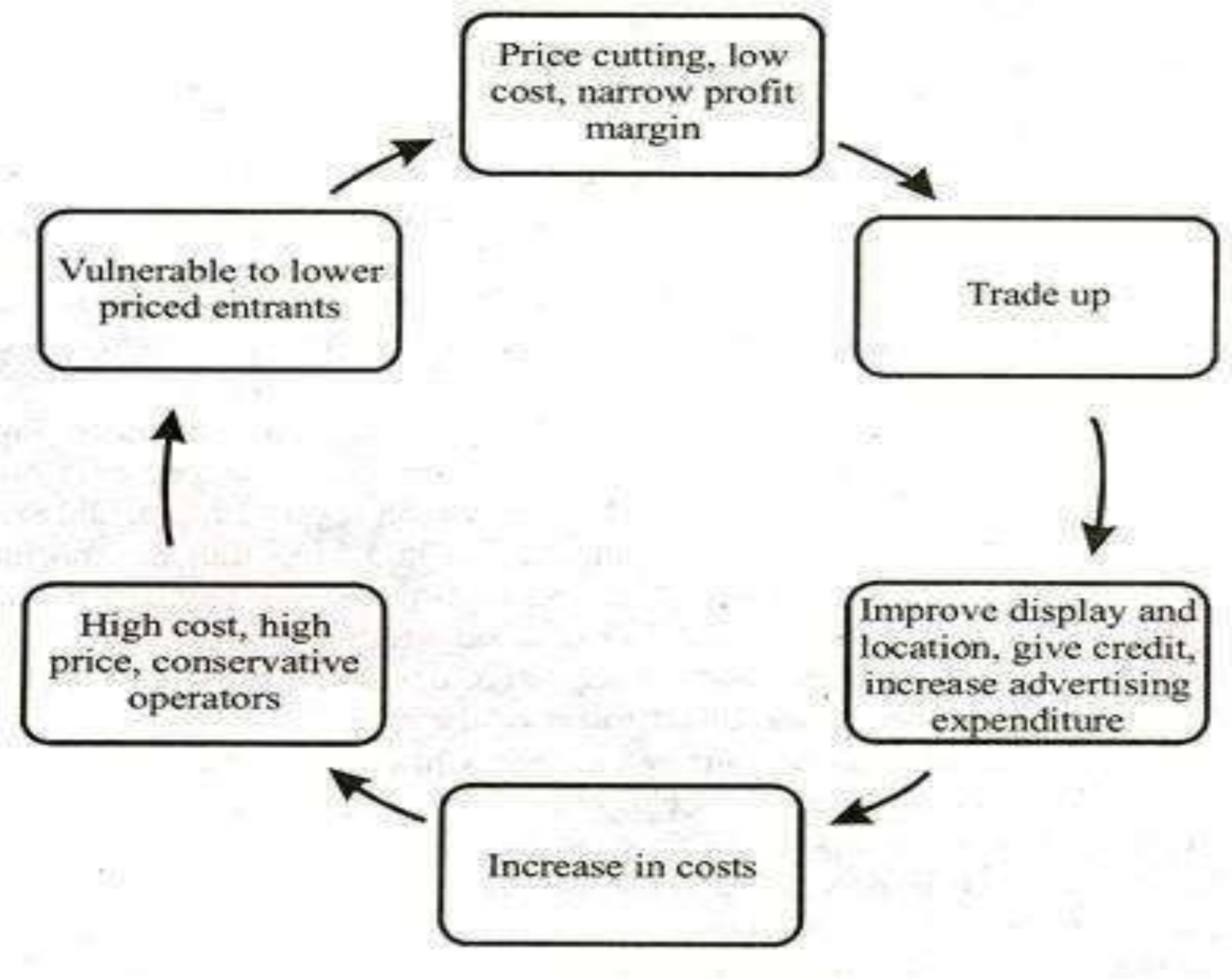
# *Theory of wheel of retailing*

- Thus in this process the new entrant will mature to a higher status and higher price operation .
- This will increase the cost of the retailer.
- The innovative institution will metamorphose into a traditional retail institution. This will lead to vulnerability phase.

***VULNERABILITY PHASE:***

- The innovative store will have to deal with high costs, conservatism and a fall on ROI.
- Thus, the innovative store matures into an established firm and becomes vulnerable to the new innovator who enters the market.
- Entry of the new innovator marks the end of the cycle and beginning of the new cycle into the industry.

# Theory of wheel of retailing




Wheel of Retailing

# 2. THE RETAIL ACCORDION THEORY:/GENERAL-SPECIFIC-GENERAL THEORY

- Hollander (1966) proposed the Retail Accordion theory .
- This theory explains retail evolution as a cyclical trend in terms of the number of merchandise categories (i.e., product assortment).
- In this theory, at the beginning of operation, a retail institution carries a broad assortment of but does not carry a deep assortment (i.e., various styles within one product classification).
- At this early stage, the retail institution is a general store.
- As time passes, the retail institution becomes specialized by carrying a limited line of merchandise with a deep assortment. At this point, the retail institution is a specialty store.
- The theory suggests that retail institutions go from outlets with wide assortments to specialized narrow line store merchants and then back again to the more general wide assortment institution. That is why it is referred to as the general-specific-general theory.

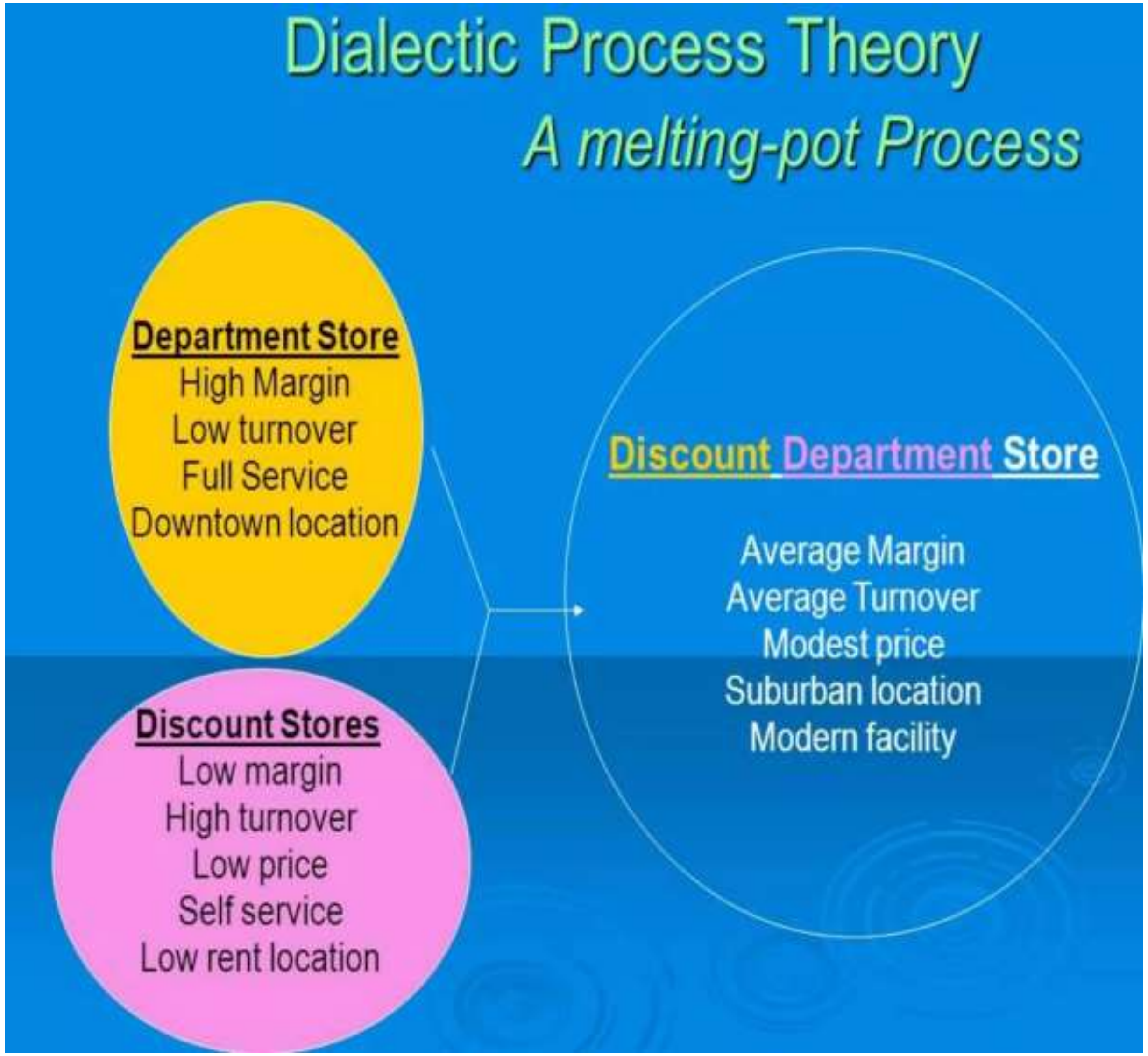
# 3. THE MELTING POT THEORY/ DIALECTIC PROCESS

- The theory was proposed by Thomas J. Maronick and Bruce J. Walker.
- A new value proposition by one retailer gives rise to two new retailers with the same proposition. Retail firms adapt mutually to the emerging competition and tend to adopt the plans and strategies of the opposition.
- Two institutional forms with different advantages modify their formats with different advantages and go on modify their formats till they develop a format that combines the advantages of both formats.
- This model implies that retailers mutually adapt in the face of competition from _opposites‘

# THE MELTING POT THEORY/ DIALECTIC PROCESS

- Thus when challenged by a competitor with a differential advantage, an established institution will adopt strategies and tactics in the direction of that advantage, thereby negating some of the innovator's attraction so the innovator over time tends to upgrade or otherwise modify products and institutions.
- In doing so he moves towards the negated institution. As a result of mutual adaptation the two retailers gradually move together in terms of offerings, facilities, supplementary devices and prices.
- Thus they become indistinguishable or at least quite similar and constitute a new retail institution termed the synthesis. The new institution is vulnerable to negation by new competitors as the dialectic process begins anew .

# THE MELTING POT THEORY/ DIALECTIC PROCESS



# 4. POLARIZATION THEORY

- This theory suggests that, in a longer term, the industry consists of mostly large and small size retailers and medium size becomes unviable.
- This is called polarization.
- Large stores offer one stop shopping. The smaller ones tend to offer limited range of products, but add value to their offers with other services.
- Firms tend to be more profitable when they are either small in size or big. The medium ones fall into the —Bermuda Triangle.

# Retail market strategy

*Retail market strategy*:

- Retailing strategy outlines the mission & vision
- It is a systematic plan which provides the retailers overall framework for dealing with its competitors, technological and international movements.
- Retailing strategy sets the tone for creating sustainable competitive advantage through the optimization of available resources.