

INTRODUCTION TO RETAILING



What is Retailing?



Retailing is the business where an organization directly sells its products and services to an end consumer and this is for his personal use.

By definition whenever an organization be it a manufacturing or a whole seller sells directly to the end consumer it is actually operating in the Retail space.

Industry Driver



It is an Industry which is heavily dependent on consumer spending . In this ecosystem consumers play the most important role.

Retail sales is generally driven by people's ability (disposable income) and willingness (consumer confidence) to buy goods and services.

Current Scenario

- Money spent on household consumption worldwide has almost doubled since the 1980s. The leader has unquestionably been the USA , two-thirds of whose GDP is consumer spending.
- Retail turnover in the European Union is over Euros 2000 billion and the average growth in this sector seems to be following an upward trend.
- Retail in the Asian economies have been growing at 6% to 10% and despite the current recession the Indian retail sector is projected to grow by 7%.
- Retail consumer markets today include high rates of personal expenditures, low interest rates, low unemployment and very low inflation. Negative factors that impact retail sales involve weakening consumer confidence.



Types of Retailers

Specialty Stores

- These stores are characterized by narrow product lines but with deep assortments such as Apparel Stores , Sporting goods store, Furniture store ,Florist and Book store. Under this also there could be specializations like limited line store (eg. Men's clothing store) and Super specialty store (eg. Men's custom shirt store).

Department Stores

- Several Product Lines —typically clothing ,home furnishing and household goods with each line operated as a separate department managed by specialist buyers and merchandisers

Supermarket/Hypermarket

- Relatively large ,low cost ,low margin high volume ,self service operation which is designed to cater total needs for food, laundry, household maintenance products .

Convenience Stores

- These are the stores which are relatively small in size and they are located near residential area , normally remains open seven days a week and carrying a limited line of high turnover convenience products at slightly high prices. Many have added take away sandwiches , coffee and pastries.

Discount Stores

- Standard merchandise sold at lower prices with lower margin but higher volumes. Actual discount stores regularly sell merchandise at lower prices and offer mostly national brands. In Discount retailing , Discount specialty retailing is also present eg. discount electronic store or discount book store

Off Price Retailers

- ❑ Merchandise bought at less than regular wholesale prices and sold at less than retail prices. Often left over goods , irregulars obtained at reduced prices from manufacturers and other retailers.
- ❑ Factory outlets are owned and operated by manufacturers and they normally carry manufacturer's surplus ,discontinued and irregular goods

Mom & Pop Stores

- Local neighborhood stores managed by an independent, which provides limited range of daily use articles.
- Many such outlets are still thriving by knowing their customers better and providing them with more personalized service.

Current Characteristics of Retail Industry

- ❑ **Decline in Mom & Pop Stores**
- ❑ **Internet & E Commerce**
- ❑ **Repositioning of Departmental Stores**
- ❑ **Rise in Discount stores**
- ❑ **Category Killers**
- ❑ **Direct/Non Store Retailing**



Operational Issues

Supply Chain Management



- Ideally Supply Chain Management encompasses the material flow from supplier's suppliers to the final destination. Retailers need to have a grip on that whole chain in order to control the procurement and delivery cost. This will help them to choose the right supplier for the merchandise.

Pricing

- Pricing is a key positioning factor and must be decided in relation to the target market , Assortment mix and competition. Strategic pricing has become an important strategic tool to the retailers.
Airlines
- Retail stores markdown the price for some items to attract people, this is called traffic building. They also run storewide reduction sell.
- It is observed that a shoe Retail outlet sells 50% of the product at normal mark up , 25% of the product at 40% mark up and remaining 25% at cost. Some Retailers have done away with sales pricing and they are resorting to everyday low price (EDLP). It leads to lower advertising cost , greater pricing stability and higher Retail profits. Wal- Mart uses this kind of pricing strategy.

Sales Channels

- Amongst Non store Retail channels Internet and E commerce is gradually gaining popularity. Consumers do not need to come to store for buying goods or service they can do that over a click of a button from their drawing room.
- Marketing through call centre or catalogue marketing is also an emerging trend .
- Retailers need to choose sales channels carefully and need to use all those channels effectively to acquire more customer centricity. Ultimate objective here is to offer a consumer a tailor made shopping experience and to provide more easy access to his product and service offering.

Retail Strategies

- High Margin and High Turnover eg. a convenience food store
- Low Margin and High Turnover eg. a discount store
- Low Margin Low Turnover i.e .a dying business
- High Margin Low Turnover eg. an up market specialty store.



Indian Scenario

Latest Industry Quotes – CII & FICCI

Home >> Policy >> Sectoral Policy >> Services Sector >> **Retail**

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CII National Committee on Retail

The Indian retailing industry is poised to grow from USD 322 billion in 2006-07 to USD 590 billion in 2011-12. It is set to enter a new growth trajectory owing to rising household consumption and a host of factors. To sustain the growth of organized retail and to continue to deliver value to the consumer, it is imperative to build a collaborative platform with all stakeholders in the retail ecosystem.

The CII National Committee on Retail, Chaired by Mr. Kishore Biyani, Founder & CEO, Future Group, represents this platform of eminent members from the retail ecosystem. The Committee through its initiatives and gamut of activities has been working for the growth of the Indian retail sector.

The Committee has drafted an Action Agenda on Retail, taking cognizance of the challenges like regulatory, real estate, infrastructure, supply chain, consumption and skilled manpower for retail.



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Catalyzing the growth of surging Indian modern retail

Estimates predict that the overall size of the retail sector in India is expected to touch US\$427 billion by 2010 and US\$637 billion by 2015 with the modern segment expected to account for 22 per cent by 2010, up from the present four per cent.

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Retail Division's activities include:

- ▶ FICCI Retail Report
- ▶ Supply Chain report in association with EY
- ▶ Winning with Intelligent Supply Chains

Latest Industry Quotes - AC Nielsen

CONTINUED SUPERMARKET & HYPERMARKET EXPANSION LEADING TO INCREASINGLY COMPETITIVE INDIAN RETAIL ENVIRONMENT: NIELSEN SHOPPER TRENDS INDIA

6 May 2009
Mumbai, India

The Indian Modern Trade scene is getting increasingly complex and competitive by the day, according to the latest **Nielsen ShopperTrends** India report released today. Nielsen found the number of customers frequenting Supermarkets and Hypermarkets has grown by 11 percent in India's eight key metros compared to the last round of ShopperTrends conducted in November '07. Nielsen ShopperTrends also found that one-fifth of Indian shoppers are now spending most of their grocery rupees at Supermarkets/ Hypermarkets.

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