

# Types of Retail Formats

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Reference :RM- Swapna Pradhan, RM-Levy and Weitz

# The changing structure of retailing

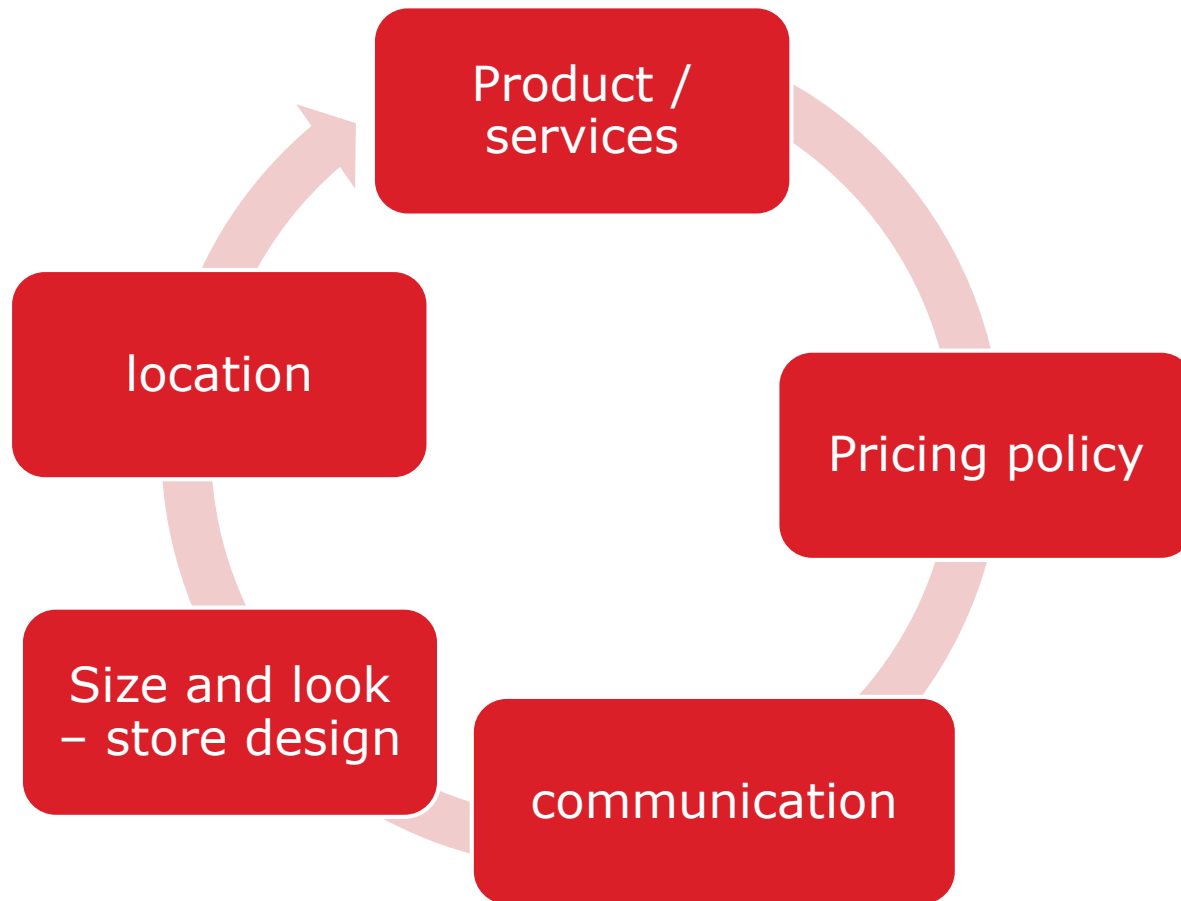
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- All dynamic developments in retailing (department stores, and hypermarkets) are responses to a changing environment
- Changing customer demand, new technologies, intense competition, and social change create new opportunities
- The Internet and web technologies have itself created a myriad of opportunities for web based business model of retailing
- This has created competition for the retailer in order to maintain and grow its share of market and compete within its band of retailers



# Role of Business Model

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1. Trends in market positioning
2. Competition
3. The Organizational capabilities

# Retailer Characteristics affecting business model

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- ▶ Every retailer satisfies the needs of specific market segment (Mass/ Exclusive/ Speciality)
- ▶ Retailers offer merchandise assortment and variety
- ▶ Retailers adopt a specific pricing strategy (discount/ competitive/ premium)
- ▶ Each retailer develops its own promotional mix
- ▶ On the basis of product mix, a retailer decides channel of distribution and thus location of store
- ▶ Level of customer service (self-service/ Assorted Services / Full service)

# Variety and Assortment

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- ▶ Variety represents the number of merchandise categories a retailer offers (Width of product line)
- ▶ Assortment is the number of different items in a merchandise category (depth of the merchandise)
- ▶ Each different item of merchandise is called as Stock Keeping Unit (SKU) (Length )

Men Formal Shirts	Men Casual Trousers	Women Ethnic Wear Kurti	Women Western Tops
Arrow	Lee Cooper	Biba	AND
Louise Phillip	Levis	Rangmanch	Chemistry
John Miller	Bare	W	

Variety – 4 product lines

Assortment – a type of Arrow shirt – 4 colour X 4 sizes = 16

SKU – 11 different items of merchandise

- Bigbazaar, Pantaloons, Shopper's Stop all have formal shirt section.
- Bigbazaar has many other categories (more variety)
- Under shirt section, Shopper's Stop has more number of brands, patterns, sizes etc. than Bigbazaar thus (more SKUs)
- Arrow has more assortment as compared than shopper's stop. (more depth)

# Classification of retail formats

## Store based retailing

### Forms of Ownership

Independent Retailer  
Chain Retailer  
Franchise  
Leased  
Consumer co-operative

### Merchandise Offered

Convenience Store  
Supermarket  
Hypermarket  
Specialty Stores  
Departmental Store  
Off-price Retailers  
Factory Outlets  
Catalogue Showroom

## Non-store retailing

Direct Selling  
Mail Order  
Tele Marketing  
Automated Vending

## Service Retailing

Banks  
Car Rentals  
Other services

Swapna Pradhan Page 70 onwards



# Classification on the basis of Ownership

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- ▶ Independent Retailer
- ▶ A Chain Retailer / Corporate Chain Retailer
- ▶ Franchising
- ▶ Leased Department
- ▶ Consumer Cooperative

# Independent Retailer

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- ▶ Owns and operates only one retail outlet
- ▶ Either propriety/ joint-family/ partnership
- ▶ Local baniya/ kirana stores/ apparel stores
- ▶ +ve – Good rapport with customers, flexible and thus can react quickly to market changes and customer needs
- ▶ -ve – no economies of scale and thus low bargaining power with suppliers



# A Chain Retailer/ Corporate Retail Chain

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- ▶ When two or more outlets are under a common ownership, it is called a retail chain.
- ▶ These stores have similar merchandise offered to customers along with similarities in ambience, advertising and promotions
- ▶ E.g. Arrow, Global Desi, Van Heusen, departmental stores like Pantaloons, Westside, Planet M, Foodbazaar
- ▶ +ve- bargaining power, cost effectiveness in advertising and sales promotion
- ▶ -ve – no consideration to local preferences and inability to manage each store, heavy investment

# Franchising

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- ▶ A franchise is a contractual agreement between the franchiser and the franchisee, allowing franchisee to conduct a business under an established name as per a particular business format in return for a fee or compensation.
- ▶ Types
  - ▶ A product or trade mark franchise - e.g. Archie's
  - ▶ A business format franchise – e.g. McDonald

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# Best Franchises in India



# Franchise Agreement

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## Franchisee

- ▶ Get a right to use brand name
- ▶ Agrees to operate the outlet in accordance with procedures prescribed
- ▶ Pays a lump sum + royalty on all sales

## Franchiser

- ▶ Provides assistance in locating and building the store, developing the products and services sold, training managers and advertising support

# Leased Departments

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- ▶ Shop-in-shops
- ▶ When a section of a department in a retail store is leased or rented to an outside party, it is termed as a leased department
- ▶ Only display a fraction of the merchandise sold
- ▶ Aim to make products available
- ▶ E.g. CCD in Shopper's Stop





# Consumer Co-operative

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- ▶ Aim to provide essential commodities at reasonable prices
- ▶ E.g. Apna Bazaar etc.

# Classification on the basis of the Merchandise Offered

1. Food Retailers
2. General Retailers  
+  
Target Market

# Convenience Stores

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- ▶ Relatively small, located near residential areas, open for long hours, limited line of convenience products like egg, bread, groceries
- ▶ Provide limited variety and assortment of merchandise at convenient locations with speedy check-outs
- ▶ Size range from 3000-8000 sq.ft
- ▶ Targeted at customers who want to make quick purchases
- ▶ Near petrol pumps + local baniya

# Supermarkets

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- ▶ Large, low cost, low margin, high-volume, self-service operations, designed to meet needs for food, groceries and other non-food related items.
- ▶ Area -400 sqm – 2500 sqm (4305 sqft-26910 sqft)
- ▶ Internationally – 8000-20000 sqft
- ▶ At least 70% of the merchandise comprising of foodstuff and everyday commodities
- ▶ Carry approximately 30000 SKUs with limited assortment
- ▶ E.g. Kroger, Safeway, ALDI, Tesco in US
- ▶ E.g. Foodworld, Foodbazaar, Reliance Fresh in India

# Variations in Supermarket

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- ▶ Over the years, variations in this business model have emerged
- ▶ Superstore
  - ▶ A variation in supermarket
  - ▶ Larger than conventional supermarket with at least 25000 items and more non-food such general merchandise, health and beauty etc.
- ▶ Combination store
  - ▶ Is a superstore and full-line pharmacy with general merchandise and health & beauty care items accounting for at least 15 % of sales

# Hypermarket

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- ▶ Combination of a department store + a supermarket
- ▶ Invention by Carrefour in Paris 1963
- ▶ A retail store with a sale area of over 2500 sq.m with at least 35% selling space devoted to non-grocery products
- ▶ Typical area – 80,000-220,000 sqft
- ▶ Offers variety of food and non-food products like clothes, jewelry, books CDS, electrical , computers etc
- ▶ Stock SKUs 40000-60000
- ▶ Cheapest prices, one-stop shopping, a destination offer
- ▶ E.g. Wal-Mart Supercenters, Target (SuperTarget), Tesco Extra Stores
- ▶ E.g. Bigbazaar, HyperCity etc.

# Department Stores

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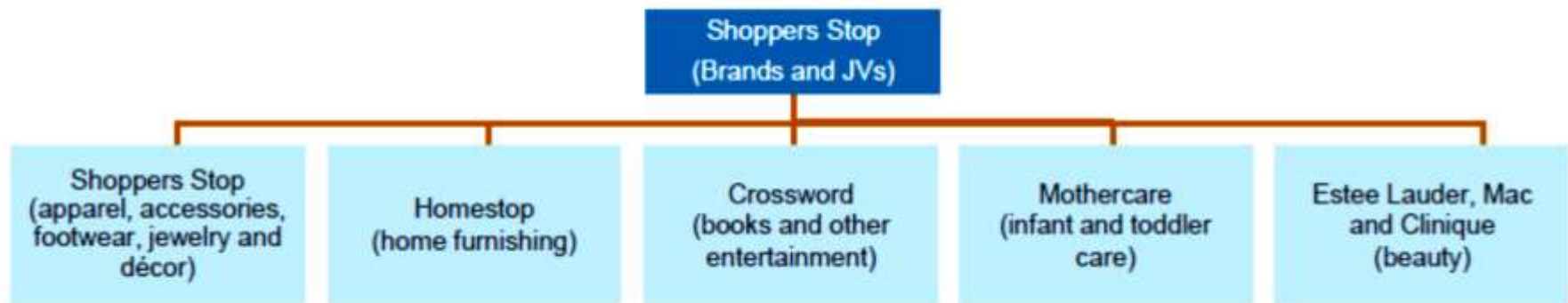
- ▶ Aristide Boucicaut, the son of a successful hat maker founded the first department store 'Bon Marche' in Saint-Germain, Paris in the year 1838.
- ▶ Large-scale retail outlet, often multi-leveled, with multiple product categories, Pleasing ambience, attentive service
- ▶ Carry broad variety and deep assortment, offer customer service and organize their store into distinct departments. Selling fashion clothing, accessories, cosmetics, household items
- ▶ Around 7000sqm internationally (~70,000 sqft)
- ▶ Avg. Indian store 20000-40000 sq.ft. with avg. 50,000-1,00,000 SKU's
- ▶ E.g. Marks & Spencers, Sears, J. C. Penny
- ▶ E.g. Shopper's Stop, Lifestyle etc.

# Shoppers' Stop

- ▶ The company owns 172 stores in 25 cities with 4.81 million sq.ft space across eight store formats
- ▶ Over 3.3 million customers are a part of the First Citizen Loyalty Programme



Source: Company Annual Report, Aranca Research  
Note: CAGR - Compound Annual Growth Rate





# Speciality Stores

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- ▶ A store specializing in a particular type of merchandise or a single product of durable goods like home furniture, consumer electronics, apparel, jewellery etc.
- ▶ Very specific market segment
- ▶ High level of service and product information made available to consumers
- ▶ Narrow product lines (variety), deep assortments
- ▶ Internationally area under 8000 sq.ft
- ▶ E.g. Gap, Ikea
- ▶ E.g. Fabindia, Tanishq, Croma

# Off Price retailers

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- ▶ The merchandise is sold at less than retail prices
- ▶ Generally retailers buy manufacturer's unpopular or unsold inventory at a cheaper rate and sell it at deep discounts. Merchandise may be odd sizes, unpopular colours or with minor defects
- ▶ It might be manufacturer owned / speciality owned / department store
- ▶ Outlets are seen as a means of increasing business
- ▶ E.g. Levi's Factory outlet, Pantaloon's Factory Outlet



# Catalogue showrooms

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- ▶ Usually specialise in hard goods such as housewares, jewellery and consumer electronics, paints
- ▶ Customer goes through catalogue and decides what does he/she wants to buy
- ▶ E.g. Argos is US



# Drug Store

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- ▶ Is a speciality store that concentrate on health and personal grooming merchandise
- ▶ Pharmaceuticals often represent over 50% of the sales



# Big Box Retailers

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- ▶ Over the years, the landscapes of cities and towns across the world changed thus evolved larger formats ..that are termed as BIG BOX RETAILERS
- ▶ Big box retailers are large, industrial-style buildings or stores with 20,000-2,00,000 sq.ft.
- ▶ Sub-groups
  - ▶ Discount department stores
  - ▶ Category killers
  - ▶ Outlet stores
  - ▶ Warehouse clubs

# Discount department store

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- ▶ 80000sqft to 1,30,000 sqft
- ▶ Wide variety including automative parts , home furnishing, apparel , beauty products etc.
- ▶

# Category killers

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- ▶ It is a specialty retailer which offers a very large selection of product category and economical prices.
- ▶ They focus on single category and stock deep
- ▶ E.g. Toys R Us stock 10000 toy items as compared 3,000 in department store
- ▶ They buy and sell at cheap rates thus dominate the category
- ▶ Internationally 20,000-1,20,000 sq.ft.

# Outlet stores

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- ▶ 20,000 -80000 sqft,
- ▶ Typically discount stores of major department stores
- ▶ E.g. Nordstrom Rack or J. C. Penny outlets



# Warehouse clubs

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- ▶ 104,000-1,70,000 sq.ft.
- ▶ Offers variety of goods @wholesale price
- ▶ Limited products (5,000 or less)
- ▶ E.g. Costco Wholesale, Sam's Club

# Other Formats

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1. Super warehouse store – hybrid warehouse / superstore with 50000 - plus items and full range of service departments, featuring high-quality perishables and reduced prices
2. Limited assortment store – low price outlet with minimal service and fewer than 2000 items. Numerous private label
3. Supercenter- large food drug combination and mass merchandiser 1,70000 sq ft (40% grocery items @loss leader prices)
4. Wholesale club
5. Dollar store

# Airport Retailing

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- ▶ Airports in many cities of the western world serve as mini shopping plazas for travellers
- ▶ It is different from mall retailing with huge margins / sales per sq. Foot-
- ▶ much smaller than even convenience stores- logistics issue of getting goods to airport is complex
- ▶ E.g. Duty Free Shops



# Non-Store Retailing

# Direct Selling

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- ▶ Involves making a personal contact with the end consumer at home or at the place of work
- ▶ Highly interactive form of retailing
- ▶ Party plan or Multi-level network
- ▶ E.g. Amway, Herbalife, Tupperware

# Direct Response marketing

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- ▶ Catalogue retailing / mail order
  - ▶ Appropriate for speciality products- targeted catalogues to appeal to narrow target markets
- ▶ Television retailing
  - Here existing and prospective customers watch a TV programme demonstrating a product and then place an order for the same by telephone, e-mail or Internet

(For example: Asian Sky Shop, TSN, TVC, TSNM)
- ▶ E-tailing / Electronic Shopping

# Information kiosks

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- ▶ Have emerged in the western markets as a new type of electronic retailing
- ▶ These kiosks , comprising of computer terminals housed inside and a touch screen on outside to provide customers with product and company information and may actually aid the customers making a purchase



# Automated Vending / Kiosks

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- ▶ A form of non-store retailing where products or services are placed in a machine and are dispensed to customers when they deposit cash or use plastic money (credit or debit card)
- ▶ Most impersonal form of retailing
- ▶ Vending machines offer consumers greater convenience 24 hours a day, and have replaced many services formally requiring a human interface
- ▶ Popular in soft-drinks, candies etc. along with bank ATMS





# The Cash and Carry

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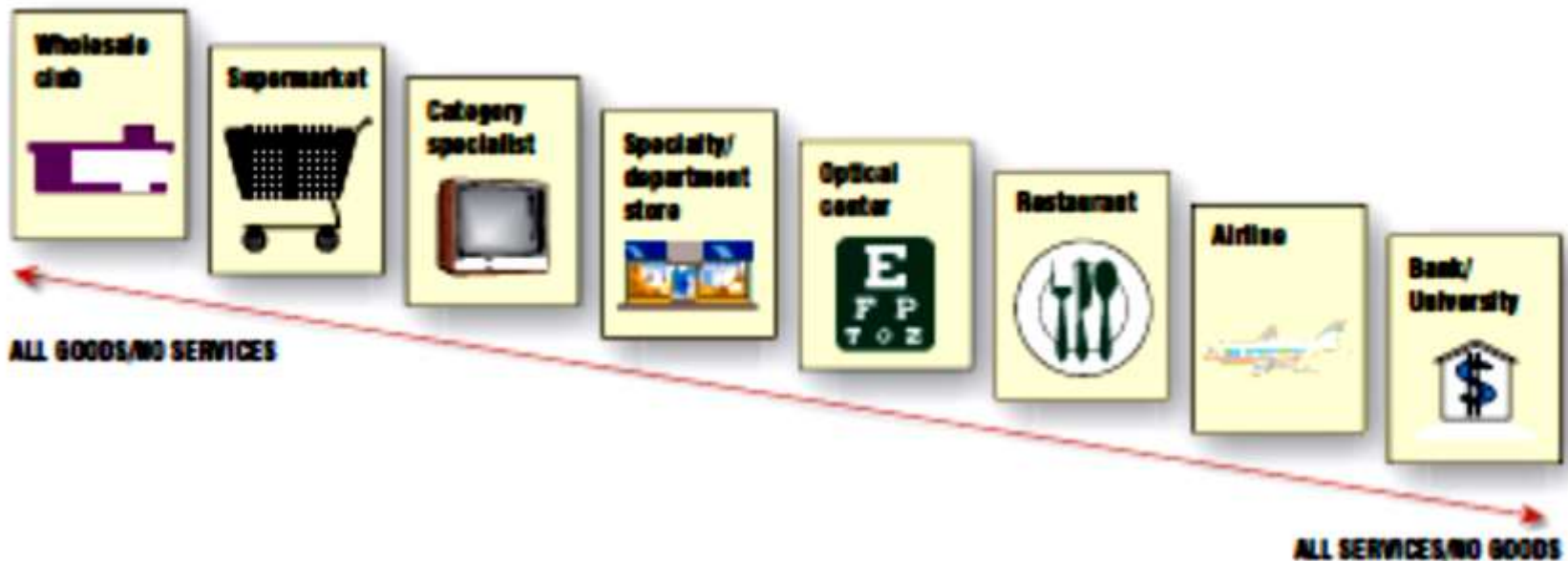
- ▶ Customers do their own order picking, pay in cash and carry the merchandise away.
- ▶ It's a wholesale format that aids small retailers and businessmen.
- ▶ It offers a wide assortment of goods, food and non-food items – thus provides one stop shopping and allows customers to save time
- ▶ Longer working hours and seven day working enable customers do the shopping at a convenient time
- ▶ E.g. Metro AG and Shoprite

# Services Retail

# Services Retail

- ▶ Instead of products, they sell services to the end consumers
- ▶ Airlines, Banks, Repair, Child care, Pre-school, Education, Financial Services, Fitness, Healthcare, Hotels, Quick Service Restaurants etc.

Continuum of Merchandise and Services Retailers **EXHIBIT 2-9**



# India Specific Retail Models

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- ▶ The Public Distribution System
- ▶ ITC e-choupal
- ▶ Hariyali Kisan Bazaar
- ▶ Godrej Adhar

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## Service Retailing

Banks  
Car Rentals  
Other services

Airport Retailing  
Cash and Carry  
India Specific format