Types of Retail Formats

By: Prof. Deepa Rohit, LLIM
Reference: RM- Swapna Pradhan, RM-Levy and Weitz
The changing structure of retailing

• 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

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

- Product/services
- Pricing policy
- Communication
- Location
- Size and look - store design
Retailer Characteristics affecting business model

- 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

- 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 )
<table>
<thead>
<tr>
<th>Men Formal Shirts</th>
<th>Men Casual Trousers</th>
<th>Women Ethnic Wear Kurti</th>
<th>Women Western Tops</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrow</td>
<td>Lee Cooper</td>
<td>Biba</td>
<td>AND</td>
</tr>
<tr>
<td>Louise Phillip</td>
<td>Levis</td>
<td>Rangmanch</td>
<td>Chemistry</td>
</tr>
<tr>
<td>John Miller</td>
<td>Bare</td>
<td>W</td>
<td></td>
</tr>
</tbody>
</table>

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
Classification on the basis of Ownership

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

- 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

- 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

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
Best Franchises in India
Franchise Agreement

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

- 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

- 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

Prof. Deepa Rohit, LLIM
Convenience Stores

- 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

- 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

- 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

- 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

- 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
Speciality Stores

- 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

- 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 being 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

- 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

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

- 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

- 80000 sqft to 1,30,000 sqft
- Wide variety including automotive parts, home furnishing, apparel, beauty products etc.
Category killers

- 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

- 20,000 - 80,000 sqft,
- Typically discount stores of major department stores
- E.g. Nordstrom Rack or J. C. Penny outlets
Warehouse clubs

- 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

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

- Airports in many cities of the western works 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

- 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

- 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

- 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

- 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

- 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.
India Specific Retail Models
India Specific

- The Public Distribution System
- ITC e-choupal
- Hariyali Kisan Bazaar
- Godrej Adhar
Classification of retail formats

Store based retailing
- Forms of Ownership
  - Independent Retailer
  - ChainRetailer
  - 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
- India Specific format
- Airport Retailing
- Cash and Carry
- Other services