

Retail Theories

Retail Institutions

- Retailing has entered a new phase in India
- Transformation-Strategy, Price
- Change in store format (due to:
 - Diversity and changing consumer demand
 - Other environmental factors)

Conventional Formats

Department Stores

Cooperatives

New Formats

Hypermarkets

Warehouse Clubs

Category Killer

Discount Stores

Convenience Stores

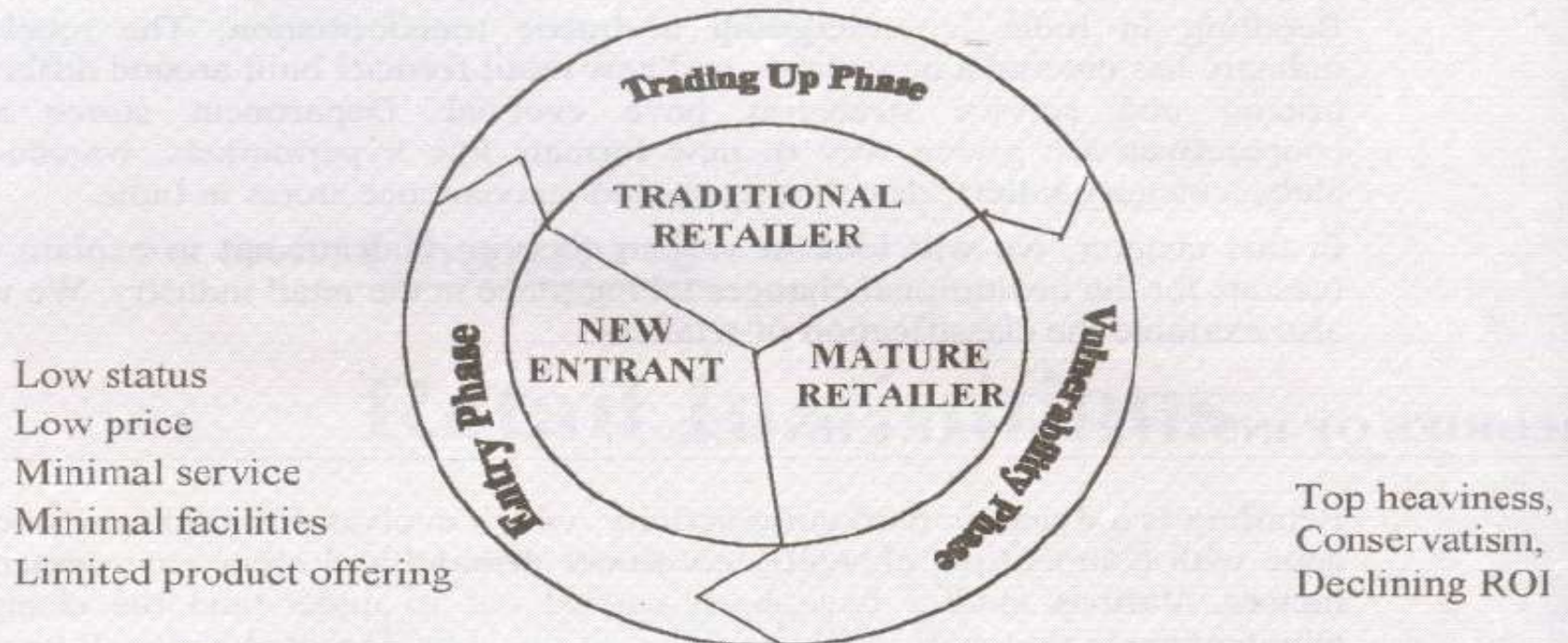
Theories of Institutional Change

- ❑ Wheel of Retailing (Cyclical Theory)
- ❑ Dialectic Process (Conflict Theory)
- ❑ Retail Accordion
- ❑ Natural Selection (Environmental Theory)

Wheel of Retailing (Cyclical Theory)

Change takes place in a cyclical manner

Elaborate facilities expected, essential and exotic services, higher-rent locations, fashion orientation, higher prices, extended product offerings



Wheel of Retailing

Entry Phase

Trading-up Phase

Vulnerability Phase

New Entrant

Traditional Retailer

Mature Retailer

Kirana stores

(neighborhood shop)

Apna Bazar

(Chain Store)

Big Bazar

(Super/Hyper market)

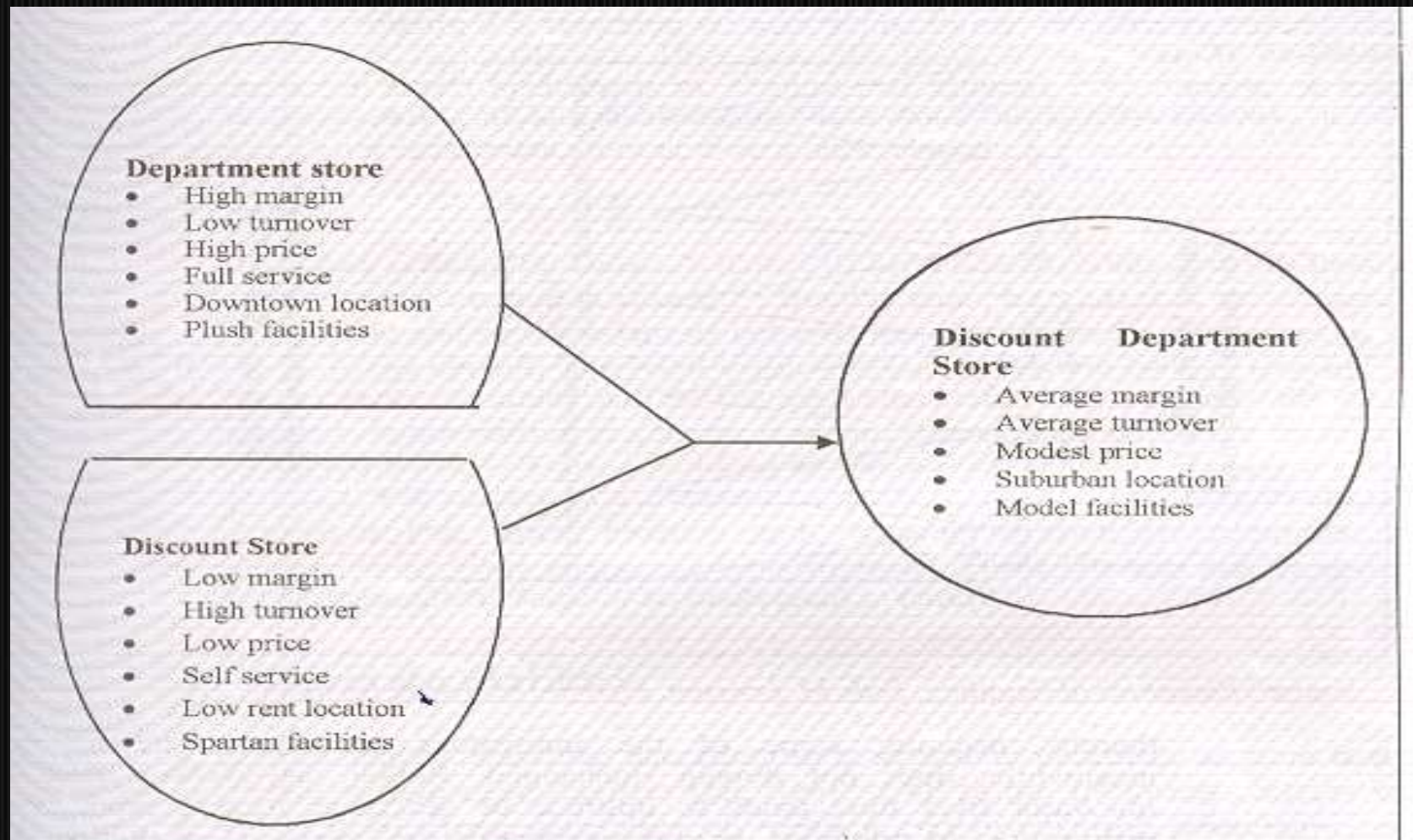
Dialectic Process: The Dialectic Evolution of Retailing (Conflict Theory)

- Also “**Melting Pot**” theory: Two institutional forms with different advantages modify their formats till they develop a format that combines the advantages of both formats.
- Retailers mutually adapt in the face of competition from opposites
- 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

Dialectic Process: The Dialectic Evolution of Retailing

- Innovator, in the meantime also upgrades itself; moves towards the negated institution
- Through this mutual adaptation, the two retailers gradually move together in terms of offerings, facilities, supplementary services, and prices; become indistinguishable, and one-SYNTHESIS

Dialectic Process: The Dialectic Evolution of Retailing



Dialectic Process: The Dialectic Evolution of Retailing

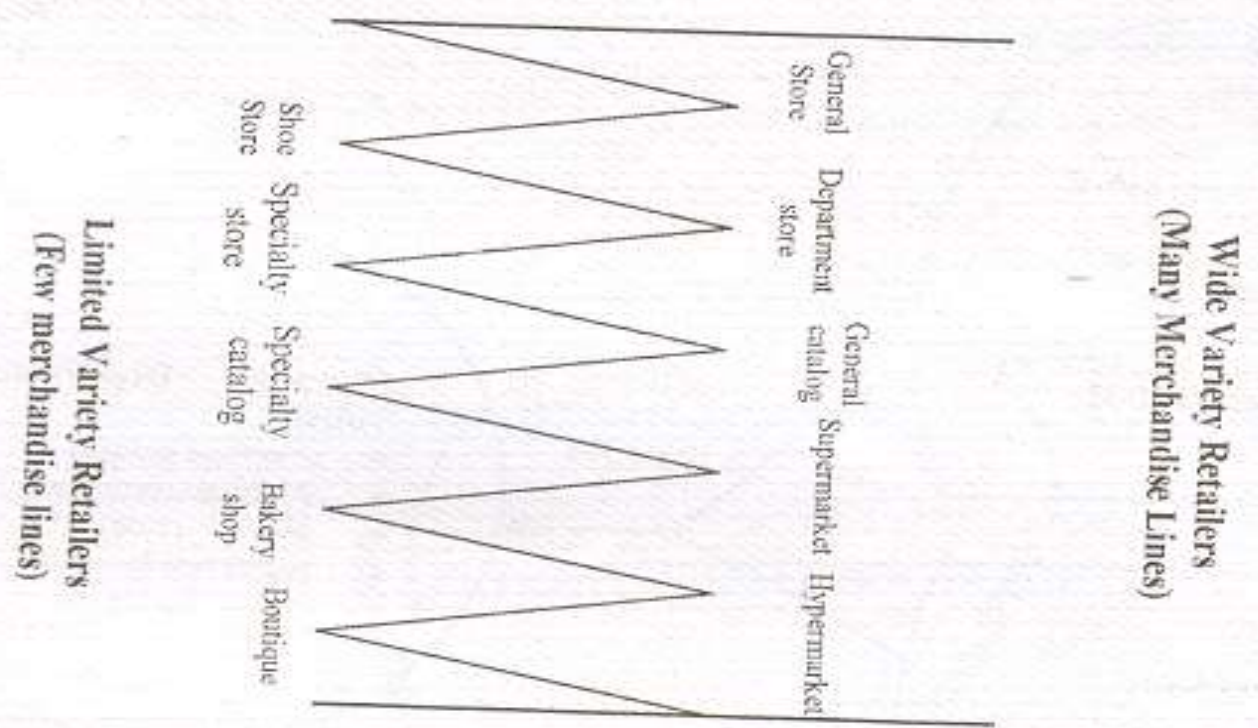
- This new institution, then becomes vulnerable to 'negation' by new competitors
- Competitive advantage for established firm-economies of scale; new firm-new technology
- Both, ultimately develop a format that combines the advantages of both the formats
- So on and so forth

Retail Accordion

- Firms can choose to offer either a wide variety or limited variety of goods with deep or shallow assortment
- A retail institution may start as a small, independent store, but as sales increase, it may grow into a department store or even a supermarket

Retail Accordion

Figure 2.3: The Retail Accordion Theory



Natural Selection (Environmental Theory)

- A retail institution will survive in a competitive market, if it is willing to change its product line, price, location and its promotional strategies in tandem with changes in the retail environment

Thank you