



# RETAIL MANAGEMENT

 Pearson

**Gibson G. Vedamani**

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# **Retail Management**

***Functional Principles and Practices***

**Fifth Edition**

**Gibson G. Vedamani**

Retail Industry Expert and Thought Leader

Visiting Professor of Retail Management in B-Schools:

Prin. L. N. Welingkar Institute of Management

Development and Research

and

Jamnalal Bajaj Institute of Management Studies

Mumbai



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*To*

*My Loving Parents, my first teachers of Management*

***Prof. Dr Vedamani Balraj***

*Retired Professor & Head of the PG Dept. of English*

*and*

***Mrs Mercy Balraj***

*Retired Teacher*

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# Foreword

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When Gibson handed me the privilege to write the foreword for this edition of the book, I realized how time flies. My start up social enterprise TRRAIN is already 6 years old; however every day is a new learning in human behavior and consumer insights. We have become students of retailing once again. Gibson continues his passion of enriching our youth who want to make a career in retailing. He has spread the good retail learning to millions of professionals by continuously upgrading and bringing in new versions of his retail management book.

Honestly speaking, India and its retailing have undergone many changes dramatically in the last decade. When Gibson introduced his first edition, large groups in India like Reliance, Tata (Westside, Croma, Titan), Birla (Pantaloons, Madura Brands), Arvind Brands were still in an investment mode. Most of us in the industry were speculating on how these large groups would chart their strategy and invest for the next few decades. However all of them have invested and taken leadership positions in many formats. There is also no doubt that the earlier players like Rahejas, Biyanis and Jagtianis have continued to invest in brick and mortar stores with a strong belief in the Indian Consumption opportunity. Indian owned and managed companies are all set to retain large share in the Indian consumption story which continues to grow with the GDP growth of our country.

I was very happy to see that Gibson has, in this new edition, dealt with omnichannel customer engagement strategy. Many people ask me whether retailers should get into an omnichannel mode. My simple answer has been: If the Indian consumer is shopping through various formats and the millennial generations are shopping  $24 \times 7$ , do we as retailers have a choice? However it is important to build capabilities around the online business, both from technology and supply chain efficiency perspectives. It is important to align the organization with a single purpose of serving the customers. This will ensure that we do not end up creating two organizations within the same with diverse ethos and culture trying to achieve common goals!

Every time I read the new edition of the book I feel much younger and start thinking about my days as a store manager - running a shop, interacting with the consumers, taking their compliments and their brickbats too. What a wonderful time I have had as a professional for 35 years out of which I have spent 26 years in retailing directly interacting with customers and retailers! Sometimes I feel all professionals wanting to be in consumer business should go through a stint in retailing. It is the only business, which keeps us grounded and connects us with the consumers directly. Understanding the consumer is the key to success for one and all, in business. All students of retailing should definitely work in the retail store and the warehouse if they want to grow in retail. Even CEOs should work at least once in retail stores of their product groups to understand their customers. To begin with they can start by reading a few chapters of Gibson's book on Retail Management. After being involved with TRRAIN in the last 6 years I have learnt two lessons of our lives. One, the best way to reach your customers' hearts is by winning your employees' hearts. The second one is that you can build and grow your business only if you build competencies, pride and respect in your employees.

Written as a textbook for students of retailing, Retail Management gives definitive insights to students in business schools of all disciplines and beginners. It makes very good reading for small retailers, entrepreneurs in retailing, the second generation of traditional retailers who can bring in Science to the Art of retailing. It would also be a good reference book for those already involved in retailing. This book provides various insights into the retail business for

the reader. I recommend that practitioners definitely go through the Merchandise Planning, Buying in Retail and Visual Merchandising chapters wherein some principles discussed can be used immediately.

Small retailers can learn from the Retail Strategies and Store Planning, Design & Layout chapters, as this will help them focus on the business and align the space and merchandise in their stores. I am sure readers will be able to apply those theories to deliver better results for themselves.

Students of Management and Retailing schools should definitely go through all the chapters and visit a store or meet a practitioner to get insights into the wonderful and exciting world of retailing.

I wish Gibson success and the readers of this new edition happy reading moments.

**B. S. Nagesh**

*Founder, Trust for Retailers and Retail Associates of India (TRRAIN)*

# Preface

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Your footfall into the world of retail learning really counts! Welcome. How may I help you?

Although retailing in its various formats has been in existence in our country from time immemorial, much of it was confined to family or ‘mom-and-pop’ stores. Now, various established business corporations are busy setting up shop and retailing goods and services in every nook and corner of India. They have a passion to be closer to consumers. At this time when the country’s retailing business is going through its phase of consolidation and modernization, there is a compelling need for those involved in retailing – and those who intend to be involved – to comprehend this phenomenon systematically so that they can practice it perfectly. I am sure this book will help you take the first step towards understanding organized retail management.

Secondly, in the course of my career as a retail practitioner and teacher for the past many years, I have strongly felt the need to use domestic examples and references. Many of my colleagues on the shop floor and students in the classrooms have never gone abroad to see the kind of retail stores that foreign texts discuss. Hence this book on retail management, with references and examples from the growing Indian retail environment, is certain to assist the reader in getting the right associations in place for better learning.

The third reason why I decided to write this book was to disseminate retailing knowledge and skills to benefit students, professionals and entrepreneurs. This will enable the industry to attract more people and encourage them to make a successful career in the world of retailing.

I have dealt with the various functions of the business of retailing in a detailed manner, juxtaposing theoretical and practical learning in every chapter of this book, so that you can obtain a thorough understanding of the application areas of retail management.

I am confident that this book will surely beacon your way to become a successful retailer!

## **INSTRUCTOR RESOURCES**

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Instructor resources are available for download from [www.pearsoned.co.in/gibson](http://www.pearsoned.co.in/gibson)

## **ACKNOWLEDGEMENTS**

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At the very outset, I thank my Lord and Saviour Jesus Christ who has been my prayer-answering God Almighty, enabling fulfillment of all my dreams. This book is an honest proof of one such fulfillment.

I would like to express my profound gratitude to B. S. Nagesh, Founder, TRRAIN and Vice Chairman, Shoppers Stop for not only readily agreeing to write the foreword for this book but also for shaking me out of my ‘comfort zone’ in a southern location of India to bring me to Mumbai to take up a responsible position in Shoppers Stop in 1996. Since then my retail learning has been growing by leaps and bounds.

I am gladly fortunate to extend my thanks sincerely to Prof. Dr Uday Salunkhe, Group Director, Prin. L. N. Welingkar Institute of Management Development and Research, Mumbai and to my friend and former colleague Jaydeep Shetty (Founder and CEO, Mineral Fashions), who have been great sources of my pedagogical inspiration.

With a profound sense of ecstasy I would like to acknowledge my gratitude and credits to the lively contributions of Brigitta Abraham, Surender Gnanaolivu, Malcolm Stephens, Amitabh Basu, Mahesh Rao, Kumar Rajagopalan, Prasad Chadratre, Sangram Surve, Zenobia Ferns, Naresh Bulchandani, Anirban Chatterjee, Akash Shah, Theresa Chakravarty, Late Mr R. H. Sharma and Indranil Nandi for making this book a sheer beauty in every way.

Eventually, I spotlight my record of appreciation for the unstinted and incomparable support provided by my friends in Pearson Education for carving this book, Pradeep Kumar Bhattacharjee, G. Mark Pani Jino and C. Purushothaman.

This book would not be a reality without the loving influence of my wife Punitha, my son Wayne, my daughter Vinita and my son-in-law Leslie. I thank them from the bottom of my heart.

**Dr Gibson G. Vedamani**

# About the Author

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**Dr Gibson G. Vedamani**, a doctorate in Retail Management from Symbiosis International University, currently serves as a consultant to various retailing organizations, handling a portfolio of diverse categories. He was the founding CEO of Retailers Association of India (RAI) and presently serves on its National Advisory Council. He has worked in significant positions in renowned retail organizations like Bata, Shoppers Stop, Bhojsons Supermarkets (Nigeria) and Reliance Webstores. He is a visiting professor of Retail Management at the Prin. L. N. Welingkar Institute of Management Development & Research and the Jamnalal Bajaj Institute of Management Studies, Mumbai. Dr Gibson has been rewarded for his works with prestigious awards such as Dewang Mehta Award for the Best Teacher in Retail Management, FICCI's

Retailers' Retailer Award and IBS Award for Excellent Contribution to the Retail Industry in India. At present Dr Gibson also serves as Director (NSDC Nominee) on the Board of Gems & Jewellery Skill Council of India (GJSCI).



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# Testimonials

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Packed with practical principles of retailing, Gibson's book can be a ready reckoner for retail managers.

— Kishore Biyani, *Group CEO, Future Group*

This book gives definitive insights to students in business schools of all disciplines and beginners. It makes good reading for small retailers, entrepreneurs in retailing, the second generation of traditional retailers who can bring in science to the art of retailing. It is also a good reference book for those already involved in retailing.

— B. S. Nagesh, *Founder TRRAIN*

Dr. Gibson's book is a path-breaker in recognizing and responding to this very unique Indian retail paradigm. It puts all aspects of the business into the relevant perspective. An all-encompassing coverage makes for very insightful reading for all current and potential stakeholders of retail business.

— Ajay Mehra, *Executive Director, Tata African Holdings (Tanzania) Ltd.*

Dr. Gibson's book gives an account of the essential principles of retailing. It serves as a guide for enabling the right understanding of professional retail practices.

— R. Sriram, *Co-Founder, Next Practice Retail*

Gibson's Retail Management book has up-to-date insights not only on contemporary retailing concepts, but also on futuristic perspectives.

— Rajeev Gopalakrishnan, *President – South Asia, Bata Emerging Markets*

This book reflects key retail learnings from a combination of Dr. Gibson's rich personal retailing experience and his scholarship – a must read for all students of retailing.

— B. A. Kodandaraman, *Chairman, Viveks Ltd.*

Gibson has filled the gap in Indian management literature for contemporary, India-specific retail strategies and case studies, which help the reader understand the realities and nuances of the Indian retail market and its popular bazaars.

— Bijou Kurien, *Board Member, L Capital & Former President, Reliance Retail Ltd.*

The book caps an overview of the global as well as the Indian retail scenario and it illustrates case studies as well.

— The Indian Express

It is a repository of information that gives a deep insight into the subject and really ‘wows’ the reader.

— Fortune India

The first of its kind on the retail scene in India, Retail Management is a great textbook in every sense of the word. It is insightful, well written and full of illustrative case stories.

—The Free Press Journal

I had the good fortune of using Dr. Gibson’s Retail Management book while teaching in the IIMs. It blends theoretical concepts with practical examples from Indian markets, making students understand and comprehend an emerging discipline like Retail Management. This book is a must for all retail management students and practitioners.

— Dr. Tapan K. Panda, *Former Director, IIM Indore & Dean, Jindal Global Business School, New Delhi*

This book well lays out the fundamental concepts, practical insights and the trending best practices of the retail industry for the benefit of aspiring students, professionals and entrepreneurs. The well researched contents with a crisp and clear flow make it uniquely interesting for the readers.

— Dr. Vijila Edwin-Kennedy, *Director, KCT Business School*

Retail Management by Dr. Gibson Vedamani breaks new ground with an insightful view of how retail management in India should be. It helps retail/marketing students, researchers and enthusiasts learn the nuances of retailing from an Indian and International perspective.

— Dr. K. K. Ramachandran, *Educator*

Years of first-hand experience gained in retailing distilled into a finely made and thoughtfully crafted text book. Comprehensive even as it links practice with essential theory. Aspirants who wish to make a career for themselves in marketing, especially in retail would find this a most useful read. And an anchor for the experienced professional to reflect and refresh.

— Prof. Suresh Paul Antony, *Chairperson - Executive Education & Consulting, IIM, Tiruchirappalli*

Retailing is well defined in a practical context in Dr. Gibson Vedamani’s text. It gives students a peek into the real world of retailing through relevant case examples

— Dr. Stephen D’Silva, *Marketing Professor, Jammalal Bajaj Institute of Management Studies, Mumbai*

Dr. Gibson Vedamani’s book Retail Management underscores the significance of the impact of technology and automation and the sea change they have brought into Indian retailing, besides exploring basic concepts and profound insights on the subject. Appropriate illustrations and cases have been built in the book. This edition will be valuable to both the students and teaching faculty.

— Dr. T. N. Swaminathan, *Professor of Marketing & Director - Branding, Great Lakes Institute of Management, Chennai*

Dr. Gibson is an authority in the subject of retail in India. His approach to the topic comes from his understanding of customers in India and practical application of retail concepts. This book can be a helpful course material for students of retailing as well as a practical guide for retailers.

— Kumar Rajagopalan, *CEO, Retailers' Association of India (RAI)*

When we pioneered Retail Management education in India, Dr. Gibson Vedamani played a key role. His book on Retail Management written since and updated every now and then, serves as a valuable guide to students.

— Prof. Dr. Uday Salunkhe, *Group Director, Prin. L. N. Welingkar  
Institute of Management Development & Research, Mumbai*

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# SECTION

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# Introduction to Retailing

# 1



## Learning Objectives

*After studying this chapter, you should be able to:*

- Define the concept of retailing.
- Highlight the significance of retailing in the marketing mix.
- Elaborate on the role of the retailer in the marketing channel.
- Provide an overview of the global retailing scenario.
- Focus on the current status of retailing in India.
- Understand the various theories of retail evolution.
- Grasp the uniqueness of Indian retail evolution.
- Throw light on the current growth opportunities and trends in India.

## DEFINITION AND SCOPE OF RETAILING

The word ‘retail’ is derived from the French word ‘*retailier*’, which means ‘to cut a piece off’ or ‘to break bulk’. In simple terms, it implies a first-hand sales or service transaction with the customer.

Retailing involves a direct interface with the customer and the coordination of business activities from the start till the end—literally, which is handled right from the concept or design stage of a product or offering, until its delivery and post-delivery service to the customer. The retail industry has contributed massively to the economic growth of many countries and is undoubtedly one of the fastest changing and dynamic industries in the world today.

### Retailing in the Marketing Mix

Retailing forms an integral part of the marketing mix and it includes the major elements like product, place, price, people, presentation and promotion. **Place** relates to the distribution and availability of products in various locations.

Initially, the customers are first introduced to the product at the retail store. Second of all, the organisations sell their products and services through these retail outlets and get feedback on the performance of their products and customers’ expectations about them.

Retail stores serve as communication hubs for the customers. Commonly known as the Point of Sale (POS) or the Point of Purchase (POP), retail stores transmit

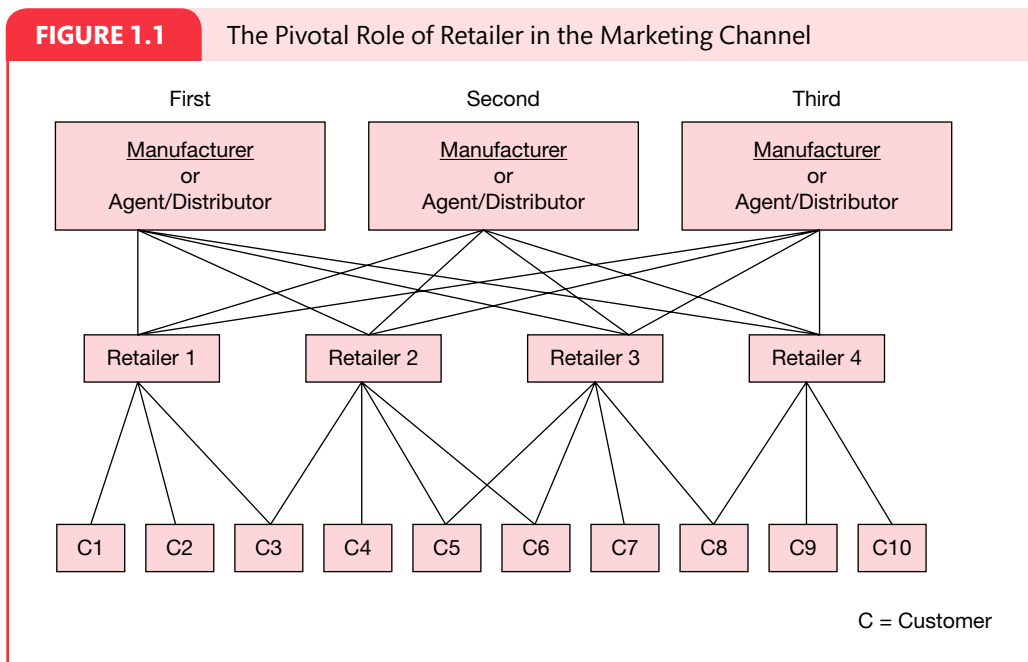


information about their products to the customers through advertisements and displays. Hence, the role of retailing in the marketing mix is very significant.

### The Retail Channel

In retailing as products and services are distributed to reach the end consumers, they pass through a few chains of businesses or intermediaries and this partner led 'pathway' to reach customers is called the retail distribution channel. In a mass merchandise retailing or in a fast moving consumer goods retailing scenario it is next to impossible for manufacturers to sell directly to customers. So manufacturers appoint their agents and distributors who re-sell products and services to retailers who again sell them to customers. While products and services move from the manufacturers' points to distributors and then on to retailers and customers, the feedback and opinions on such products and services flow backwards to reach the distributors and the manufacturers.

The retailer plays the pivotal role in the retail distribution channel (see Fig 1.1) especially of reaching the consumer with products and services and at the same time absorbing their feedback to pass on to the manufacturers and marketers for amendments and improvements as required.



### Channel Power

Channel power refers to the extent to which the retailers can influence the marketers' decisions and opinions like pricing, promotion and product strategy. This emanates from the point of customer contact (the retailers), which is the one-point perspective of collecting feedback or information from the customers to the marketer/manufacturer. Owing to such communication capabilities, the channel is fixed at a position to influence the customers' decisions.

## Organised Retailing Defined

Organised retailing refers to the trading activities solely undertaken by certain licensed retailers who are registered under the required norms for government regulations like the Shops and Establishments Act, Sales Tax, Food Safety Standards Authority of India (FSSAI), Labour Laws, etc., and they stand authorised for every transaction and sales, by giving cash memos to each buyer. These rules are followed as a standard procedure in many retail stores, supermarkets, hypermarkets, retail chains, etc., which are operated under registered sole proprietorship, partnership and private limited firms.

Unorganised retailing, on the other hand, refers to the traditional retailing process where small retailers like local ‘kirana’ shops, ‘mom and pop’ shops, variety shops, petty convenience stores, hand cart sellers, pavement vendors, etc., transact their very own business on petty cash without registering or billing any sales transactions.

## THE GLOBAL RETAIL SCENARIO

Retailing plays a dominant role in many developed countries and it is better organised than what it is in India. According to recent reports, the retail industry has emerged to be the main player in the business sector and is expected to reach US\$ 22 trillion soon in the near future and yet the sector is still productive as stunted by the recent economic reports. According to recent reports, more than 50 of the Fortune Global 500 companies and 25 of Asia’s topmost 200 companies are retailers. In many developed countries like the USA, most part of retailing is accounted for by the organised sector. The corresponding figure for Western Europe is 70 per cent while it is 50 per cent in Malaysia and Thailand, 40 per cent in Brazil and Argentina, 35 per cent in Philippines, 25 per cent in Indonesia and 15 per cent in South Korea (see Table 1.1). Organised retailing, however, has gained a great deal of momentum in China in the last few years especially after the opening up of

**Table 1.1** Percentage of Organized and Traditional Retailing Globally

Country	Organised Retailing	Traditional Retailing
USA	80%	20%
Western Europe	70%	30%
Malaysia	50%	50%
Thailand	50%	50%
Brazil	40%	60%
Argentina	40%	60%
Philippines	35%	65%
Indonesia	25%	75%
China	20%	80%
South Korea	15%	85%
India	8%	92%

the sector to 100 per cent FDI in 2004, and it accounts for 20 per cent of the total retail sales currently. Even though when the developing countries are making rapid strides in this industry, the organised retail is currently dominated by the developed countries, with the USA, EU and Japan constituting 80 per cent of the world's retailing. Retail is a significant contributor to the overall economic activity across the globe: the total retail share in the World GDP is 27 per cent while in the USA it accounts for 22 per cent of the GDP. Retailing is one of the largest industries in the world and in some countries it is the main source of economy.

The service sector accounts for a large share of GDP in many developed economies. And the retail sector is a stronghold and key component for the service sector. Hence, the employment opportunity offered by the industry is immense. According to the US Department of Labor, about 22 million Americans are employed in the retailing industry in more than 2 million retail stores—that is, one out of every five workers employed. In essence, as long as when the people have a need to buy, the retail sector will consecutively generate employment. In most of the developed nations more than 30 per cent of the country's population is either directly or indirectly employed in the retail sector. In a few countries, the number of people employed in retailing exceeds the number of people employed in the manufacturing sector.

Traditionally, the local players tend to dominate the retail business in their home markets. Walmart, the world's leading retailer, has more than 11.4 per cent of the market in the USA. Similarly, Tesco has a market share of about 27.9 per cent in the UK grocery market. The main value propositions that most large retailers use are a combination of low price, 'all-under-one-roof' convenience and 'neighbourhood' availability. Globally, retailing is customer-centric with an emphasis on innovation in products, processes and services. In short, the *customer is King!*

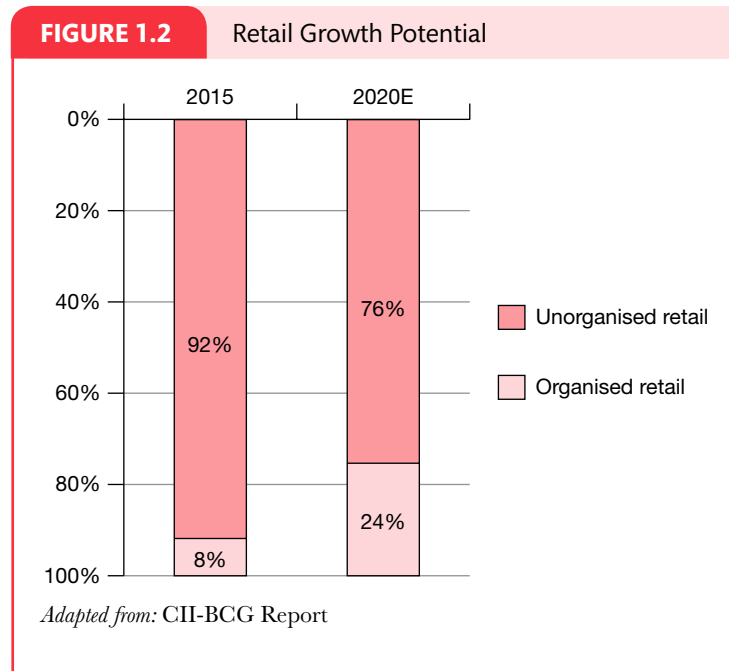
In the past decade, retail growth was recorded at different timelines in various countries across the globe. In the early 2000's, the Eastern European countries gained membership to the European Union. As a consequence, retail growth gained momentum in these markets. China was accepted into the World Trade Organization (WTO) in 2001. Thus, the Chinese market opened up gates for international trade and foreign investment and retailing in China started growing since. South East Asia, Middle East, South America and BRIC (Brazil, Russia, India and China) began to emerge as strong economies and these countries witnessed big growth opportunities for global retailers.

## THE INDIAN RETAIL SCENARIO

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The retail scenario in India is unique. Much of it is in the unorganised sector, where more than 15 million retail outlets are witnessed in various sizes and formats. Almost 96 per cent of these retail outlets are constructed at a space not exceeding more than 500 square feet in size. The per capita retail space in India is less than 2 square feet when compared to the US figure of 16 square feet. India's per capita retailing space is thus the lowest in the world. With about 1 outlet per 100 people, India has the largest ratio in the world. Most of them are independent and contribute as much as 92 per cent to the total retail sales.

Because of the increasing number of nuclear families, the growing size of the working women segment, greater work pressure and increased commuting time,



convenience has become a priority for Indian consumers. They want everything under one roof for easy access and variety of options. This offers an excellent opportunity for organised retailers in the country who account for just 8 per cent (and modern retailing at 3 per cent<sup>\*</sup>) of the total value of goods that are retailed in India every year. The retail business in India in the year 2015 was around US\$ 600 billion (₹ 4,200,000<sup>†</sup> crores) and a McKinsey study says it is estimated to rise a US\$ 1.52 trillion (₹ 6,080,000<sup>‡</sup> crores) by 2025. One expects that the share of organised retailing will be in the vicinity of 24 per cent even by 2020 (see Fig. 1.2).

The growth and development of organised retailing in India is driven by two main factors—lower prices and benefits which the consumers can't resist. According to experts, economies of scale drives down the cost of the supply chain, thus in turn allowing the retailers to offer more benefits to the customer.

India is rapidly transforming into a competitive marketplace with potential consumers targeted in the niche and middle class segments. The market trends indicate tremendous growth opportunities. Nowadays, the global players too show a keen interest in the Indian retail market. Over these years, international brands like Marks & Spencer, Samsonite, Lacoste, McDonald's, Swarovski, Domino's, Spar, Zara, Gap, etc., and also among a host of others have opened their stores into India through the franchise medium or the joint venture route consequent to Foreign Direct Investment (FDI) restrictions in the retail sector in India. It was only in February 2006, FDI was allowed first to the extent of 51 per cent in single-brand retailing. Since the year 2012, the Government of India has been relaxing FDI policy norms to open doors for foreign retailers to enter India. With such new

\* Modern retail formats include stores and malls operated by registered companies compliant with stipulated regulations and well defined customer processes and practices.

† Exchange rate of ₹ 70 per US\$.

‡ Exchange rate of ₹ 70 per US\$.

relaxations in FDI norms, the Spanish brand H&M has invested on its own to open stores in India. A few B2B (Business-to-Business) retail operations like METRO Cash & Carry and Walmart's Best Price Modern Wholesale have already been set up in India following the initial policy of allowing FDI to the extent of 100 per cent through the automatic route in B2B retailing. Large Indian companies like Reliance Retail, Aditya Birla Retail, Essar Telecom Retail, Future Group, Shoppers' Stop Group, Tata Group, Goenka (Spencer's), JK Group (Raymond's) among many others like Prestige Group, DLF, etc., are investing heavily in this industry. Reliance Retail, a division of India's biggest conglomerate and arguably the most formidable

player in the retail market, is investing continuously to achieve absolute coverage of even small towns across the country soon.

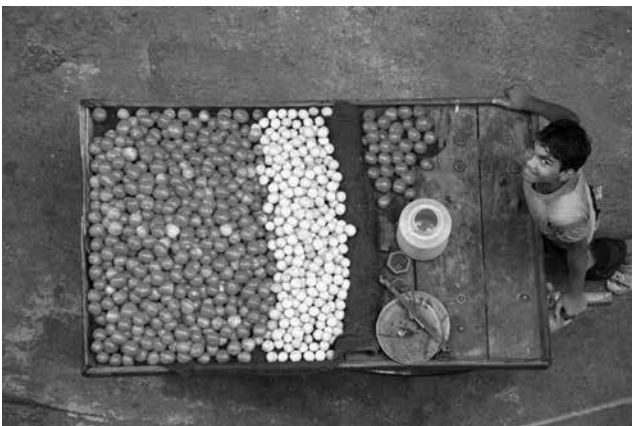
Organisations ready to take on this challenge can leverage the opportunities offered by a population of more than 1.3 billion. The prospects are very encouraging. Buying behaviour and the life-style in India too are changing and the concept of 'Value for Money' is spreading like wildfire in the Indian retailing market. This is evident from the expansion of the Future Group earlier into a large value format, Big Bazaar. This phenomenon also is evident from the establishment of Star India Bazaar by Tata's Trent, Hypercity by Shoppers' Stop Group, More Megastore by Aditya Birla Group and Reliance Mart by Reliance Retail. The need for gourmet food and rich cuisines in this semi-urban society was eventually realised by some major retailers like the Future Group who founded the 'Food Hall', an ideal concept established by the firm in the Palladium Mall, Mumbai is offering aesthetic cuisine recipes. Adding to this, 'Godrej', a top player in the Indian business sector is also aware about the current trends and has opened many retail gourmet stores vastly. India's large rural population has also attracted the attention of large organisations, which are on a diversification mode. ITC, which has been a hitherto in the hospitality and Fast Moving Consumer Goods (FMCG) sectors, offering many diverse products ranging from its FMCG portfolio, besides tobacco, launched the country's first rural mall 'Chaupal Sagar', a rural retail concept. Choupal Sagar offers various merchandise mix ranging from FMCG to electronics, appliances to automobiles, attempting to provide farmers and the rustic population a one-stop shot that fulfils the purpose of retail service for all of

### Unorganised Retailing: Petty Shops



Source: Jan S./Shutterstock

### Street Vendor with Cart



Source: paul prescott/Shutterstock

their needs. The DCM Shriram Group launched the 'Hariyali Bazaar', that was initially started off by providing farm related inputs and services, is currently introducing complete shopping and its related services (refer Chapter 7 for more details).

According to a few recent reports, over the next five years more than one billion square feet of abundant floor space will be available in India to sustain the growing organised retail market.

- India has 1 retail outlet for every 100 people.
- Unorganized retailers contribute to 92% of total retail sales.
- India's per capita retail space is less than 2 sq. ft. as compared to the US figure of 16 sq. ft.
- India is growing fast into a competitive marketplace by targeting the potential consumers in the niche and middle class segments.
- Buying behaviour and lifestyles in India too are changing and the concept of 'Value for Money' is spreading like wildfire in the Indian retail market.

## RETAIL EVOLUTION

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Retail evolution refers to the changes that have occurred in store and service forms from time immemorial, as economies grew worldwide. Retailing has undergone constant change, adapting itself to improvisations to serve customers faster and better. Customers' needs and wants have been growing along with changes in their lifestyles and so have been their demands on retailers too. With such changes that happen fast in customer lives, retailers always have to be ready to cater to their timely demands in order to ensure their own growth. Patterns of retail growth and evolution have been studied worldwide and the following are the key theories of retail changes and growth, propounded.

### Retail Evolution Theories

Many researchers have studied the evolution of organized retailing in developed economies like the United States of America and Europe. Researchers propounded various theories on retail evolution and retail institutional change, which helped in studying retail evolution patterns in various economies. Out of the various theories, a few have been accepted as universal theories of retailing. Malcolm McNair propounded the Wheel of Retailing theory in 1958 and Stanley C. Hollander established the Retail Accordion Theory in 1966. Blake summarized the Dialectic Theory of Retail Evolution in 1939.

#### ***Wheel of Retailing Theory***

Malcolm P. McNair from the Harvard University propounded the theory of the Wheel of Retailing in 1958. This theory explains a cyclic retail evolution pattern, which he had observed with the European and US organized retail organizations. The Wheel of Retailing is the most frequently cited theory by retail researchers. The Wheel of Retailing theory states that the evolution process comprises three stages: entry stage, trade-up stage, and vulnerable stage. This theory is diagrammed as a large wheel with three spokes dividing the wheel into three segments or stages. The entry stage of the Wheel of Retailing starts with offering limited merchandise with low prices and retail organizations as a strategy have low margins in order to increase penetration of the market. As the stores progress in growth, the organization enters the second stage, which is the trade-up stage where the