

SMALL STORES Vs DEPARTMENTAL STORES**Tomas CJ***MIB, Sri Krishna Arts & Science College, Kuniamuthur Coimbatore.***Abstract**

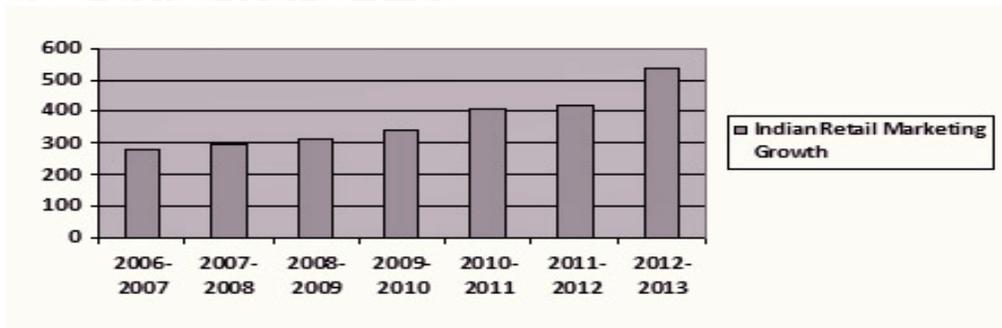
Retailing consists of all activities involved in selling goods and services to consumers for their personal, family or household use. The Indian retailing industry, which was traditionally dominated by small and family-run stores, has come of age. The retail sector is the second largest employer after agriculture in the country and also the second largest untapped market after China. There are some 12 million retail outlets in India. Besides, the country is also dotted with low-cost kiosks and pushcarts. Organized retailing is only 3% of the total retail industry. India's retail sector is going to transform and with a three-year compounded annual growth rate of 46.64 per cent, retail sector is the fastest growing sector in the Indian economy. Traditional markets are transforming themselves in new formats such as departmental stores, hypermarkets, supermarkets and specialty stores. Small Indian "Kirana" Shopkeepers Are Already Feeling the Heat from the Malls. News reports, including those published in this newspaper, have cited instances of small shops closing down or losing business in areas where large retailers have set up shop. But only as long as the Indian consumer weighs his options in favor of the small stores— paying MRP at an outlet that's a stone's throw away versus paying better prices, but at the cost of a longer trip to the nearest retail outlet. In any case, most of India still prefers to walk to the nearby small store for nearly everything! This will change if and when the biggies set up outlets in every other street, in every neighborhood – which they will, if the numbers make sense. However, a small store has opportunities to grow in India in spite of the growth of malls because these small shops will also get benefit of the growing economy. The argument that the small shops will be affected by these malls is only myth. Therefore both the malls and small stores can play simultaneously in India.

Keywords:- Retail, Departmental Stores, MRP

Evolution of Retail

The origins of retailing in India can be traced back to local markets and roaming traders. Whatever was available locally, entrepreneurs made an estimate of local demand and ventured to the marketplace to offer their wares to interested people. The product range was restricted to whatever agricultural produce was made possible by the regional climate and local manufacturing skills. Enterprising and mobile traders ventured beyond, to peddle wares perceived by them to be in demand elsewhere. This tribe of moving traders brought product variety to the markets. This led to the emergence of small stores. These stores used to cater to the local people. Shopping malls emerged in the urban areas giving a world-class experience to the customers. Eventually hypermarkets and supermarkets emerged. The evolution of the sector includes the continuous improvement in the supply chain management, distribution channels, technology, back-end operations, etc. This would finally lead to more of consolidation, mergers and acquisitions and huge investments.

Growth of Retail Market in India



Characteristics of Small Stores

India has sometimes been referred to as a nation of shopkeepers. A high density of population and the need for convenience has facilitated the operation of over 12 million stores in India. Of these, nearly 78 per cent are small family-run operations, which use only household labour.

The key characteristics of these stores are:

1. **Small size:** Such stores are small in size. They range in area from 200 square feet or less to 1,500 square feet, depending on the area of operation.
2. **Low operating costs and overheads:** These stores are run by family members and thus, there are no labour costs involved. Little money is spent on lighting, power, fuel and ambience.
3. **Proximity to consumers:** These shops are located within residential areas and can be accessed by customers on foot. This makes it convenient for households to buy items on a daily basis.
4. **Strong customer bond:** These shop owners know their customers personally and have strong relationships with them. This helps them gauge likes and dislikes, and accordingly meet the individual needs of each household.
5. **Add on services:** These small stores provide services like a month's credit, which many customers find very useful. Such stores have also been concentrating on offering customers the additional convenience of home delivery and obtaining a product on order.
6. **Non-payment of taxes:** Since such small stores do not normally generate bills, they manage to evade taxes. This saves them money, which they can re-invest and also makes it possible for them to offer lower prices to select customers

SWOT Analysis of small Stores

Strengths

1. These stores are located in prime residential areas. The rentals in these areas and other logistics are mostly unviable for large stores.
2. They enjoy a near monopoly in areas that are backward or do not have a population with sustainable purchasing power (like rural areas), since organized retailers are unlikely to enter such regions.
3. It has Price advantage over its competitors for Branded goods and commodities.
4. It has a wide product range catering to all types of customer needs.
5. Small stores are reliable and have its own uniqueness. .
6. Since such small stores do not normally generate bills, they manage to evade taxes. This saves them money, which they can re-invest and also makes it possible for them to offer lower prices to select customers.

Weakness

1. Promoters do not possess adequate financial strength for expansion on their own.
2. Storekeepers often do not provide quality assurance, especially of goods sold loose. However, with FMCG companies themselves branding various goods like flour, pickles, sugar, etc, this might check the problem.
3. Small storekeepers are increasingly becoming conscious of hygiene issues.
4. Variety in terms of quality, Styles is on regional basis and very low range is available at any given single place.
5. There is a large change in atmospherics of small shops due to competition from Big Retailers
6. These stores have to face Job losses Since it provide job opportunities to semi-skilled and unskilled people
7. Established Branded Retailers are price-competitive

Opportunities

1. Low capital requirement helps them turn faster and increase in number with easy entry and exit.
2. Proximity to consumers and strong relationships will help them to gauge customer needs and stock accordingly, thus gaining more business.

Threats

1. Long operating hours might be threatened with organized players and associations demanding 24 X 7 operating permissions.
2. The additional services that were unique to them are now being replicated by all players. The increasing use of credit cards provides easy credit even otherwise.
3. With huge stores coming up in catchments areas of 5-7 kilometers of approachable distance and large chains planning to set up hub-and-spoke smaller stores, the very existence of traditional stores is in danger.
4. Traditional stores have low or no bargaining power due to their small scale of operations. Thus, the biggest threat they face from organised players is the latter's ability to provide quality products at a discount.
5. Due to their small size, traditional stores are unable to stock a variety of goods, which is what consumers are now demanding owing to increasing awareness.
6. Traditional stores rarely invest in ambience. They also do not provide the customer the chance to look at various brands and varieties before making a choice.

India's growth Retail Market (Shopping Malls)

Indian organized retail market is growing at a fast pace due to the boom in the India retail industry. In 2008, the retail industry in India amounted to Rs 10,000 billion accounting for about 35% to the country's GDP. The organized retail market in India out of this total market accounted for Rs 350 billion which is about 4% of the total revenues. Retail market in the Indian organized sector is expected to cross Rs 1000 billion by 2010. Traditionally the retail industry in India was largely unorganized, comprising of drug stores, medium, and small grocery stores. Most of the organized retailing in India have started recently and is concentrating mainly in metropolitan cities.

The growth in the Indian organized retail market is mainly due to the change in the consumer's behavior. This change has come in the consumer due to increased income, changing lifestyles, and patterns of demography which are favorable. Now the consumer wants to shop at a place where he can get food, entertainment, and shopping all less than one roof. This has given Indian organized retail market a major boost. Retail market in the organized sector in India is growing can be seen from the fact

that 1500 supermarkets, 325 departmental stores, and 300 new malls are being built. Many Indian companies are entering the Indian retail market which is giving Indian organized retail market a boost.

Factors Estimating the Growth of the Organized Retailing



SWOT Analysis of Departmental Stores

Strengths

1. Organized retailing at US\$ 3.31 billion, growing at 8%.
2. Second largest contributor to GDP after agriculture at 20%.
3. Pattern of consumption changing along with shopping trends.
4. A Growing population will translate to move consumers.
5. Consumer spending increasing at 11% annually.
6. Almost 25 million sq. ft. retail space available.
7. Paradigm shift in shopping experience for consumers pulling in more people.
8. Most of the entrants to organized retail come from 3 main categories, and have ventured into retail as their business extension.
9. Real Estate Developers
10. Corporate Houses
11. Manufacturers / Exporters

Weaknesses

1. Government regulations on development of real estate(Urban Land Ceiling Act)
2. Need to provide Value for Money-squeezing margins
3. Lack of industry status.
4. Retail revolution restricted to 250 million people due to monolithic urban-rural divide.
5. Footfalls not a clear indicator of sales as actual consumers lower in number.
6. Lack of huge investments for expansion.

Opportunities

1. Increasing urban population-more participants in retail revolution.
2. Increase in consuming middle class population.
3. Social factors like dual household income have enhanced spending power.
4. Average grocery spends at 42% of monthly spends-presents a huge opportunity.
5. Increase in use of credit cards.

Threats

1. Rising lease/rental costs affecting project viability
2. FDI restrictions in the retail sector
3. Poor monsoons and low GDP Growth could affect consumer spending drastically.
4. Archaic labour laws are a hindrance to providing 24/7 shopping experience
5. Personalized service offered by Mom-&-Pop stores.
6. Unavailability of qualified personnel to support exponential growth in retail.

Conclusion

Small stores and organized retail will co-exist. After analyzing the retail industry, it can conclude that the organized retail has opportunities to grow in India in spite of the small stores because these small shops will also get benefit of the growing economy. The argument that the small shops will be affected by these malls is only myth. The organized retail is attracting more and more Indian as well as foreign players of the retail industry. The boundaries between the offerings by malls and one-shop vendors are Gradually breaking. Single shop-owners are becoming increasingly aware of customers needs, hygiene factors and varied requirements. At the same time, retail chains are opening stores in residential areas and focusing on customer relationship management, with a hub and spoke model where one large store supports various smaller stores in the nearby residential areas. However, the key to success for organized retailers will always be their large size, variety and ambience on offer.