



The Online Retailing: An Emerging Way of Retailing

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Abstract: *India is one of the fastest growing economies. With changing of each sector in retail sector also we can easily see he changes going on. Peoples buying habits, likings, tastes, preferences etc. Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Retailing is derived from the French word retailer, which means, “To cut a piece off”. So, retailing can be defined as a set of business activities that adds value to the products and services sold to the final consumers for the personal, family or household use. This paper deals with Traditional and Professional Approach of retailing, concept and meaning of organized and unorganized retailing, comparative analysis and a case study of Future group and its venture futurebazaar.com*

Keywords: *Retail, India, organized retail, future group, futurebazaar.com.*

I. INTRODUCTION

India is one of the fastest growing economies. With changing of each sector in retail sector also we can easily see he changes going on. Peoples buying habits, likings, tastes, preferences etc. Retailing is one of the largest industry in India and one of the biggest sources of employment in the country. Although the retailing sector has existed in our country for centuries. Retailing is derived from the French word retailer, which means, “To cut a piece off”. So, retailing can be defined as a set of business activities that adds value to the products and services sold to the final consumers for their personal, family or household use. Retailing involves: Understanding the needs of consumers, developing good assortment of merchandise, displaying the merchandise in an effective manner so that consumers find it easy and attractive to buy. Retailing is not only an important aspect of the Economic structure but very much a part of our lives. Although trading of goods has been in existence since the olden days, it is only in the recent past that the buying and selling of goods have become more of a formal and a brand dominated activity. In fact, today retailing is evolving into a global, hi-tech business. Nevertheless, the traditional forms of independently owned small businesses co-exist along with the organized trailers like department stores, specialty stores, shopping complexes, malls, large scale multiple chains etc. Organized retailing has emerged in a big way since 2000 onwards and after that, we are experiencing the emergence of new form of retailing. The retailer’s market can be segmented on the basis of various retail formats to concentrate or focus on the needs of particular consumer groups.

Ultimately, this has led to the development of a vary complex retail environment. With increase in competition in the retailing market. Retailers are seeking new consumer groups and new ways to tap this market. Some of the important reasons for the growth in the consumer with high disposable income, rise in consumer aspiration level for global lifestyle due to media exposure etc. This information was highlighted by Avnish Bajaj, Chairman and CEO of BaaZee.Com disclosing that “there a great aspiration class in towns. Who are hungry for a good range of electronics, consumer durables and tech products, which the sellers in city are able to offer them. What they look for more than anything else is the range and the latest models which are invariably not available in their own towns.” The National Council for Applied Economic Research (NCEAR)’s Market Survey of Households (MISH) indicates that until year 2002 about 58% of all Indian Households belonged to the middle level income category while this figure is expected to cross 63% by 2005. All this information shows that there is a growth and change in the category of customers belonging to each class, which can be tapped by the retail marketers.

What is Retail?

According to David Gilbert retail is, “Any business that directs it marketing efforts towards satisfying the final consumer based upon the organization of selling goods and services as a means of distribution.”

As per the above mentioned definition the final consumer is a key concept within the distribution chain, especially since the retailers are at the end of the chain and directly interact with the customer. Moreover, the final consumer is presumed to be the final user of a purchase unlike a customer who may have bought the goods for their own use, as a present or as a part of their own business activity. Retail transactions include more than the sale of tangible products, services such as financial services, beauty care saloons or dry cleaning.

It is said that the term retailing is derived from the old French word “Retailleur” meaning “a piece of” or “to cut up”. This can be applied to the functions carried out by the retailer- acquiring whole stock of goods which they divide into smaller amounts which are sold to individual consumers.

Some of the Main functions carried out by retailers are as follows:

- The Interface between the retailer and customer is predominantly service oriented.
- Retailers sell small amount of goods to customers, on a frequent basis.
- Retailers try to provide customers service through convenience in terms of suitable location, payment (or credit) facilities, range of merchandise, after sales service etc.
- Retailers offer and assortment of merchandise to facilitate choice for selection of goods to consumers.
- Retailers attempt to use a pricing policy which is modified depending upon consumers' demand, level of competition, etc.

II. RETAILING FORMATS IN INDIA

Malls: The largest form of organized retailing today. Located mainly in metro cities, in proximity to urban outskirts. Ranges from 60,000 sq ft to 7,00,000 sq ft and above.

They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. Examples include Shoppers Stop, Piramyd, Pantaloon.

Department Stores: Departmental Stores are expected to take over the apparel business from exclusive brand showrooms. Among these, the biggest success is K Raheja's Shoppers Stop, which started in Mumbai and now has more than seven large stores (over 30,000 sq. ft) across India and even has its own in store brand for clothes called Stop!.

Specialty Stores: Chains such as the Bangalore based Kids Kemp, the Mumbai books retailer Crossword, RPG's Music World and the Times Group's music chain Planet M, are focusing on specific market segments and have established themselves strongly in their sectors.

Hyper marts/Supermarkets: Large self service outlets, catering to varied shopper needs are termed as Supermarkets. These are located in or near residential high streets. These stores today contribute to 30% of all food & grocery organized retail sales. Super Markets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from of 3,500 sq ft to 5,000 sq ft. having a strong focus on food & grocery and personal sales.

Discount Stores: As the name suggests, discount stores or factory outlets, offer discounts on the MRP through selling in bulk reaching economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/ non perishable goods

Convenience Stores: These are relatively small stores 400-2,000 sq. feet located near residential areas. They stock a limited range of high-turnover convenience products and are usually open for extended periods during the day, seven days a week. Prices are slightly higher due to the convenience premium.

Department Stores: Large stores ranging from 20000-50000 sq. ft, catering to a variety of consumer needs. Further classified into localized departments such as clothing, toys, home, groceries, etc.

MBO's: Multi Brand outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and Metros.

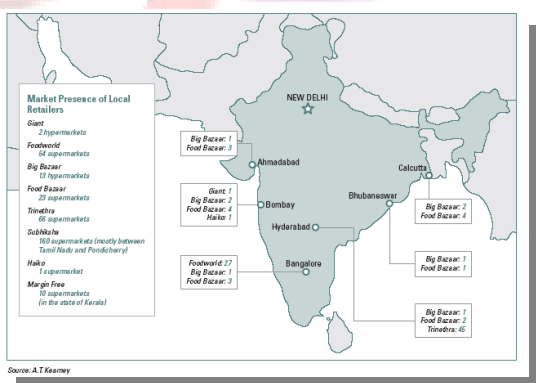


Fig. 3 India's number of Foreign Entrants

Domestic grocery chains and Early

III. RETAIL SALES IN INDIA

- Retailing in India is witnessing a huge revamping exercise as can be seen in the graph
- India is rated the fifth most attractive emerging retail market: a potential goldmine.
- Estimated to be US\$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 percent or US\$ 6.4 billion
- As per a report by KPMG the annual growth of department stores is estimated at 24%
- Ranked second in a Global Retail Development Index of 30 developing countries drawn up by AT Kearney.

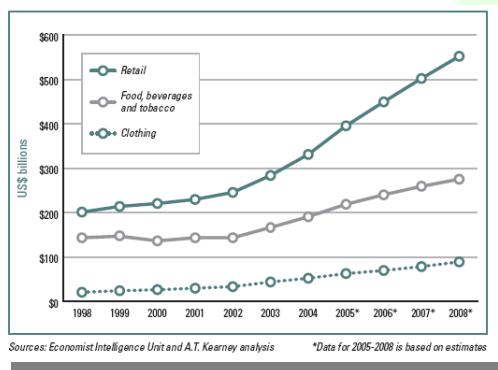


Fig.4 Retail Sales in India

IV. INDIA V/S. WORLD

- Indian retail is fragmented with over 12 million outlets operating in the country. This is in comparison to 0.9 million outlets in USA, catering to more than 13 times of the total retail market size as compared to India
- India has the highest number of outlets per capita in the world - widely spread retail network but with the lowest per capita retail space (@ 2 sq. ft. per person)
- Annual turnover of Wal-Mart (Sales in 2001 were \$219 billion) is higher than the size of Indian retail industry. Almost 100 times more than the turnover of HLL (India's largest FMCG company).
- Wal-Mart - over 4,800 stores (over 47 million square meters) where as none of India's large format store (Shoppers' Stop, Westside, Lifestyle) can compare.
- The sales per hour of \$22 million are incomparable to any retailer in the world. Number of employees in Wal-Mart are about 1.3 million where as the entire Indian retail industry employs about three million people.
- One-day sales record at Wal-Mart (11/23/01) \$1.25 billion - roughly two third of HLL's annual turnover.
- Developed economies like the U.S. employ between 10 and 11 percent of their workforce in retailing (against 7 percent employed in India today).
- 60% of retailers in India feel that the multiple format approach will be successful here whereas in US 34 of the fastest-growing 50 retailers have just one format
- Inventory turns ratio: measures efficiency of operations. The U.S. retail sector has an average inventory turns ratio of about 18. Many Indian retailers KPMG surveyed have inventory turns levels between 4 and 10.
- Global best-practice retailers can achieve more than 95 percent availability of all SKUs on the retail shelves (translating into a stock-out level of less than 5 %).The stock-out levels among Indian retailers surveyed ranged from 5 to 15 percent.

V. RETAIL AND INFORMATION TECHNOLOGY

If we look back, Indian retailers had viewed Information Technology (I.T.) with suspicion, as stories of huge outlays with almost no gain were doing the rounds, making them rather sceptical. However, the recent boom has opened their eyes to the fact that in order to compete with international standards and processes, it is very necessary to invest in information technology.

Retailers are investing extensive computer and high speed communications network which collect and exchange data between stores, distribution centres, suppliers and head offices.

A leading large retail consultancy, Management Horizons, had rightly said in the year 1995 "In the next ten years, Information Technology will become a vital prerequisite to successful competition.



Retail supplier partnerships will depend on technology, substituting Information Technology for inventory in the pipeline to reduce costs while improving productivity. Retailers will rely on technology to establish links with customers through electronic retailing and customer relationship marketing”

All most all successful organizations such as BPCL, Reliance, Titan, Ranbaxy, Raymond etc. as well as retailers such as Pantaloon, Shopper’s Stop, Giant Hypermarket etc. has been made possible only because they made significant investment in technology by using scanning and stocking systems, data interchange and management support systems.

VI. APPLICATIONS OF INFORMATION TECHNOLOGY TO RETAILING

A very essential element in the application of new IT systems to retailing is the “rapid data communication”. This involves exchange of data between individual stores, depots, head offices and suppliers using a range of networks.

The main types of system for data exchange include:

- 1 Retail Data Transaction File Exchange
- 2 EDI and E-Commerce
- 3 Intranet and Extranet

Retail Data Transaction File Exchange:

Stores and Depot transmit EPOS sales data files, financial transactions data and a range of other data electronically to head office computers for processing and analysis.

EDI and E-Commerce:

The Use of Electronic data exchange (EDI) provides the electronic administrative management of replenishment through a system of product dispatch and returns. Through EDI, The retailer has many benefits – is able to become more efficient with enhanced merchandise availability, lower spoilage and shrinking costs, improved merchandise tracking, lower administration costs, provide fresher products especially for food retailers for customers and timely offers in stores etc.

Thus while sending orders to suppliers and depots electronically, it not only saves time but also there is no need to re-key order information.

Intranet and Extranet:

Intranet is a formal system which facilitates exchange of business data within an organization. Whereas, Extranet which is also termed as Web EDI, is a new concept and is used to describe the way in which businesses will use internet technology for business – to – business communications.

Thus, Information Technology has made E-Commerce very easy, with the ability to inexpensively store more information at different virtual locations, the availability of powerful and inexpensive means of searching, organizing and disseminating such information, interactivity, ability to provide information on demand, and the ability to serve as a transaction medium for various merchandise. The impact of IT is felt across the country.

VII. LIMITATIONS TO THE WEB APPLICATIONS

The Retail Industry must address certain potential problems and limitations to web applications so that an understanding of network limitations, demographics and social acceptance could help the retailer to plan his strategies.

- 1 Network Limitations
- 2 Demographics
- 3 Fear of Revealing Information and Society Acceptance
- 4 IT innovations to tackle Web Limitations



VIII. CASE STUDY– FUTUREBAZAAR.COM

Futurebazaar.com is a venture of Future Group. Future Group is having lots of other group Business Venture.



Future Group is India's leading business group that caters to the entire Indian consumption space.

Led by Mr. Kishore Biyani, the Future Group operates through six verticals: Retail, Capital, Brands, Space, Media and Logistics. Apart from Pantaloon Retail, the group's presence in the retail space is complemented by group companies, Indus League Clothing, which owns leading apparel brands like Indigo Nation, Scullers and Urban Yoga, and Galaxy Entertainment Limited that operates Bowling Co, Sports Bar, F123 and Brew Bar.

The group's joint venture partners include French retailer ETAM group, US-based stationary products retailer, Staples and UK-based Lee Cooper. Group company, Planet Retail, owns and operates the franchisee of international brands like Marks & Spencer, Next, Debenhams and Guess in India. The group's Indian joint venture partners include, Manipal Healthcare, Talwalkar's, Blue Foods and Liberty Shoes.

Future Capital Holdings, the group's financial arm, focusses on asset management and consumer credit. It manages assets worth over \$1 billion that are being invested in developing retail real estate and consumer-related brands and hotels.

The group has launched a consumer credit and financial supermarket format, Future Money and soon plans to offer insurance products through a joint venture with Italian insurance major, Generali. The group is currently developing over 50 malls and consumption centers across the country and has formed a joint venture company focusing on mall management with Singapore-based Capita Land, one of Asia's largest property companies.

Future Group's vision is to, "deliver Everything, Everywhere, Everytime to Every Indian Consumer in the most profitable manner." The group considers 'Indian-ness' as a core value and its corporate credo is - Rewrite rules, Retain values.

FutureBazaar.com is one of the leading E-business Web Site through people can buy products at very less price. It Includes products ranging from FMCG to IT. In short all almost all kind of products.

IX. CONCLUSION

In conclusion I can say that organized retail is the buzz word. In 21st Century as the lifestyle changing Online-Retail makes it vary easy to purchase the products online at our convenience. We can pay by various ways. In short Online Retailing is one of the emerging area in India and other developing countries like India. To Compete with the Competing World I just would like to conclude with one sentence only that **"Always Change Yourself Before They Change You."**

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