

# Types of retail formats in india



\n[[toc title="Table of Contents"](#)]\n

\n \t

1. [STORE RETAIL FORMATS:](#) \n \t
2. [Mom-and-pop Store](#) \n \t
3. [Convenience Store](#) \n \t
4. [Supermarkets](#) \n

\n[/toc]\n \n

In this term paper we study about different retail formats prevailing in India and various ownership styles followed by these retail stores and after discussing all the aspects we find out that which ownership style is efficient for retailers and is suitable for coming retailers and also has future growth.

We find out franchises is best form of ownership. It converted mom-pop stores into organized form by providing franchises to the owners of the stores.

## TYPES OF RETAIL FORMATS IN INDIA

India is growing at a great pace and the retail sector is also developing with it. Big Indian business houses are entering into retail sector and are adopting various retail formats for their business which are best suited to them. We can divide Indian retail market in three forms which are mentioned below:

Store Retailers

Non-store retailers

Service retailers

<https://assignbuster.com/types-of-retail-formats-in-india/>

## **STORE RETAIL FORMATS:**

### **Mom-and-pop Store**

These are family owned stores which provide small quantity of merchandise or goods to the customers. They are individually run and target the smaller sections of the society. These stores provide high standard services. They provide home delivery and credit facility without any interest to its customers.

### **Convenience Store**

Convenience is offered in a lot of ways to the customers through easily accessible store locations and small store size that allows the customers to do quick shopping and fast checkout. The product selection offered by these retailers is very limited and the price of the products can be high.

### **Supermarkets**

Supermarket is another popular retail format in India. A supermarket is a grocery store which deals in food and household goods. They offer a fairly huge range of products and self service. People usually go to the supermarkets to buy goods in large quantities so that they can stock those goods for later consumption. They provide products for reasonable prices and of medium to high quality.

### **Department Store**

Department stores are classified as general merchandisers. Some carry a more selective product line. For instance, while Sears carries a wide range of products from hardware to cosmetics, Nordstrom focuses their products on clothing and personal care products.

<https://assignbuster.com/types-of-retail-formats-in-india/>

## Category Killers

The specialty stores are called Category Killers. These stores are specialized in their fields and they offer only one category of products. The most popular examples of category killers include wall-mart and electronic stores like Best Buy and sports accessories stores like Sports Authority.

## Discount Stores

Discount stores offer price reduction

Discount stores offer price reduction

Discount stores offer product at lower price than market price. The main reason behind this low price is the additional stock left over towards the end of any season. Discount stores sell their goods at a reduced rate with an aim of drawing bargain shoppers.

## Mass Discounters

These are general and specialty store that provide huge discounts on their merchandise to finish block stock and its small difference between discount stores and mass discounters is that it provide lesser services to customers.

## Warehouse Stores

These are the type of mass discounters that provide comparatively less price than the traditional mass discounters. Moreover, these stores often requires the buyers to make the purchases in quantities that are greater than what

can be purchased at mass discount stores. These retail outlets provide few services and product selection can be limited.

The retail design and layout is as the name suggests that is warehouse style with consumers often selecting products off the ground from the shipping package. Some forms of warehouse stores called warehouse clubs require customers to purchase memberships in order to gain access to the outlet.

### Street vendors

The Street Vendors or hawkers who sell products on the streets are quite popular in India. They try to attract the customers' attention through shouting out about their product mix. Street vendors are found in almost every city in India and the business capital of Mumbai has a number of shopping areas which are comprised mainly of street vendors. These hawkers not only sell just clothes and accessories but also local food.

### Kiosks

Kiosks are box-like shops which sell small and cheap items like cigarettes, toffees, newspapers and magazines, water packets, tea and coffee. These are most commonly found on every street in a city and target primarily to the local residents.

### Hypermarkets

Hypermarkets in India are a combination of supermarket and department store. These are large retailers that provide all kinds of groceries and general

goods. Big Bazaar and Reliance Fresh are hypermarkets that attract enormous crowds.

## Malls

Malls are the largest retail format in India

Malls are the largest retail format in India

These are the largest retail format in India. Malls provide everything that a person wants to buy under one roof. From clothes and accessories to food or cinemas, malls provide all of this, and more. Examples include Spencers Plaza in Chennai, India, Alpha one in Amritsar and Viva collage in Jalandhar .

## NON-STORE RETAIL FORMATS:

### Catalog Retailers

Retailers such as Lands' End and LL Bean have built their business by having customers place orders after seeing products that appear in a mailed catalog. Orders are then delivered by a third-party shipper.

### E-retailers

Possibly the most publicized retail model to evolve in the last 50 years is the Retailer that principally sells via the Internet. There are thousands of online-only retail sellers of which Amazon. com is the most famous. These retailers offer shopping convenience including being open for business all day, every day. Electronic retailers or e-tailers also have the ability to offer a wide selection of product since all they really need in order to attract orders is a <https://assignbuster.com/types-of-retail-formats-in-india/>

picture and description of the product. That is, they may not need to have the product on-hand the way physical stores do. Instead an e-tailer can wait until an order is received from their customers before placing their own order with their suppliers. This cuts down significantly on the cost of maintaining products in-stock.

## Vending

Vending machines is a automatic machine from where we can purchase items like coldrinks, chocolates by throughing coins in it. While most consumers are well aware of vending machines allowing customers but newer devices are entering the market containing more expensive and bulkier products. These systems require the vending machine have either Internet or telecommunications access to permit purchase using credit cards.

## SERVICE RETAILERS:

Service retailers are those which provide different services to customers.

Such as:

## OWNERSHIP STYLES FOLLOWED BY DIFFERENT CATEGORY RETAILERS:

### Individually Owned and Operated:

This structure refers to single ownership stores having one or more stores under it. Single ownership of retail outlets most frequently occurs with small retail stores, though there are some cases, for instance in the automotive or furniture industries, where single ownership involves very large outlets.

#### Advantages:

There are no restrictions on who, where and what type of business a person want to open. A person can start any legal business without any problem.

#### Disadvantages:

Because of the ease and flexibility of getting started, there can be a lot of competition in a particular area for a certain type of customer. There is no branding, no preset guidelines and a great deal of risk in this business model

#### Franchises:

Purchasing a franchise is buying the right to use a name, product, concept and business plan. The franchisee will receive a proven business model from an established business.

#### Advantages:

All of the business operation processes have been established. The franchisee receives help from a network and customers are already familiar with name . Same marketing strategies are opted which are used by other franchises . Most all of the risk associated with starting a retail business has been reduced.

#### Disadvantages:

Franchisees pay a fee, or royalty, based on sales each year. Franchisee have huge amount to spend to get a franchisee and there is no flexibility and freedom allowed in this form.



### Dealership:

Retailers may find the business model of a licensed dealership as a mix of franchise and independent retailer. The licensee has the right (sometimes this is exclusive) to sell a brand of products. Unlike a franchise, the dealer can sell a variety of brands and there generally no fees to the licensor.

Dealerships may or may not be identified as an authorized seller or by the company's trademark.

### Advantages:

There may be some branding or product name recognition by the customer. The dealership relation is much more flexible than that of a franchise. This may be a good business model for part-time retailers or those just starting in retail.

### Disadvantages:

Dealer have to spend huge amount to get a dealership

### Corporate Chain:

A retail chain consists of multiple retail outlets owned and operated by a single entity all performing similar retail activities. While the number of retail outlets required to be classified as a chain has never been specified, we will assume that anyone owning more than five retail locations would be considered a chain.

### EFFICIENT OWNERSHIP TYPE:

If you are based in India and have sufficient money to invest in a new business, then you must surely consider a good franchise business option. There are different types of franchise business in India that are hugely successful and looking for expansion.

Franchising is one of the popular models of business looked as a win-win model by both the franchisor and the franchisee. In fact, this business concept is a great way of expanding a proven business model by leveraging the resources and the enterprise of potential franchisees.

In fact, buying a franchise business in India is a better option as compared to starting your own business from scratch. Today, there are different platforms where you can look for a franchise business. You can check out details in local newspapers or browse the Internet to look for information about companies or brands interested in expansion of their business. In fact, websites are the best ones to find information on find about best franchise business in India based on different categories. For example, if you are a person who is interested in “ Play School” business then you need to first find out all the available franchisors who would be allowing you to join under them as a franchisee. Contact them and if they find your proposal interesting, then you can become a part of their brand.

Remember, it is the dream of every company to increase their brand visibility and franchising is the best way to do so. There are so many companies in India who have high faith in franchising concept and have utilized this concept to promote their brands. Apart from Indian companies,

there are many International brands that have spread their business in different parts of India through franchising.

The franchising industry in India has thus become an important tool for all brands to woo the customers and expand their business territories.

#### DEFINATION:

franchise is a form of channel in which one party, the franchisor, controls the business activities of another party, the franchisee. Under these arrangements, an eligible franchisee agrees to pay for the right to use the franchisor's business methods and other important business aspects, such as the franchise name. For instance, McDonalds is a well-known franchisor that allows individuals to use the McDonalds name and methods to deliver food to consumers. Payment is usually in the form of a one-time, upfront franchise fee and also on-going percentage of revenue. While the cost to the franchisee may be quite high, this form of retailing offers several advantages to both the parties:

#### Advantages to franchisee:

One of the most important advantages of buying a franchise is that the entrepreneur does not have to incur all the risk involved with creating a new business. Typically, the areas that entrepreneurs have problems with in starting a new venture are product acceptance, management expertise, meeting capital requirements, knowledge of the market, and operating and structural controls.

#### Product Acceptance-

<https://assignbuster.com/types-of-retail-formats-in-india/>

The Franchisee usually enters into a business that has an accepted name, product or service. That credibility already exists based on the years the Franchise has existed. An entrepreneur who tries to start a shop would be unknown to the potential customers and would require significant effort and resources to build credibility and a reputation in the market.

#### Management Expertise-

Another important advantage to the Franchisee is managerial assistance provided by the franchisor. Each new franchisee is often required to take a training programme on all aspects of operating the franchise. This training could include classes in accounting, personnel management marketing and production. The training and education offered is actually an important criterion. That the entrepreneur should consider in evaluating any Franchise opportunity. If the assistance in starting up the business is not good, the entrepreneur should probably look elsewhere for opportunities unless he or she already has extensive experience in the field.

#### Capital Requirements-

Starting a new venture is usually costly in terms of both time and money. The franchise offers an opportunity to start a new venture with up front support that could save the entrepreneur significant time and possibly capital. Some franchisors conduct location analysis and market research of the area that might include an assessment of traffic, demographics, business conditions, and competition. In some cases, the franchisor will also finance the initial investment to start the franchise operation. The initial capital

required to purchase a franchise generally reflects a fee for the franchise, construction costs, and the purchase of equipment.

#### Knowledge of the Market-

Any established franchise business offers the entrepreneur years of experience in the business and knowledge of the market. This knowledge is usually reflected in a plan offered to the franchisee that details the profile of the target customer and the strategies that should be implemented once the operation has begun.

#### Advantages to franchisor:

This type of arrangement can offer an array of advantages for the franchisor.

#### Additional Revenue-

Whenever a franchisor grants a new franchise location, he enters into a franchise agreement in which the franchisee agrees to pay fees or royalties. The franchisor can use these additional sources of revenue to reduce operating expenses such as advertising and distribution costs. The revenue can also be used to increase the franchisor's cash flow.

#### Reduced Risk of Expansion-

Franchises allow the franchisor to expand her business by using the capital and resources from the franchisee. Although the franchisor often assists the franchisee in finding sources of capital to get started, the franchisee is still the one responsible for obtaining the financing and is on the hook to pay back any loan or other debt obligations.

### Ease of Quality Control-

A franchise agreement requires the franchisee to follow corporate guidelines when operating his business. For example, a McDonald's franchisee is required to make hamburgers a specific way and may not deviate. For the franchisor, this means fewer concerns about the quality of the product that is sold, and he doesn't have to worry about a "rogue" franchisee who wants to do things his own way.

### Ease of Expansion-

A franchisor can easily expand her business by granting new franchises to franchisees in untapped markets. She may be able to locate potential franchisees who are more familiar with the nuances of a particular market than she is, which increases the chances for success. The franchisor will reap the benefits of additional royalties and increased brand recognition.

### Increased Royalties-

A franchisee may be more motivated than an employee, such as a branch manager of a satellite operation. Since the franchisee has a personal financial stake in the success of the business, he may be more likely to work harder. For the franchisor, the result is more revenue through increased royalties.

Due to its advantages to both franchisee and franchisor it consider efficient form of ownership.