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A STUDY ON FUNCTIONING OF MODERN AND TRADITIONAL RETAIL MARKET

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ABSTRACT: -
Recently there has been a lot of news about the Retail business in India. The news predominantly spun around whether FDI (Foreign Direct Investment) ought to be permitted. A week ago there was news on Retailing, yet of an alternate class. The news was about organizations which had expected that Modern Retailing/Organized Retail will occur in India and had just begun operations to utilize this open door. Future Supply Chain Solutions has setup operations to give Logistics Services to FMCG brands to benefit the Modern Retailers. For what reason do Organized Retail or Modern Retail require an alternate dissemination arrange when contrasted with the Traditional Retail? For what reason can't a similar wholesaler who benefits the standard stores (mother and pop stores) benefit the Modern Retail or Organized Retail? To comprehend this, let us take a gander at the distinctions in the coordination's of a Traditional Retail channel and Modern Retail or Organized Trade channel.

KEYWORDS: *Foreign Direct Investment ,organizations , Logistics Services ,Modern Retailers.*

INTRODUCTION:

Retailing refers - as the definition states - to the process of purchasing products from other organisations with the intent to resell those goods to the final customer, generally without transformation, and rendering services incidental to the sale of merchandise. This is a rather static and traditional definition. While traditional retail functions are still predominant, retailers have developed into complex and sophisticated companies that often coordinate or even own value chains from the production stages down to sales to the customer.

The retailing process itself is the final step in the distribution of merchandise. It results in an intangible outcome, as do all services. While the value a production company adds is obvious, it is - at first sight - less evident what value is created by a retailer. Therefore, marketing and retail researchers have long tried to explain to students as well as to the general public what added value is provided by retailers.

An early justification of the existence of retailers was given by Butler (1917, p. 14; cited from Rosenbloom 2007): "The middleman is the outstanding figure in modern marketing not because he has consciously set out to make a place for himself, nor because consumers have blindly permitted him to come between them and the manufacturers of the things they buy. It is because he has been forced into existence, on the one hand by the necessities of specialised and large scale industry and, on the other hand by the necessities of consumers equally specialised in their activities and constantly demanding more and more in the way of services which the distant manufacturer must usually rely upon the middleman to give."

A simple explanation for the potential advantage of using intermediaries (such as retailers) in a distribution channel is given by the so-called Baligh-Kichartz effect (Baligh/Kichartz 1967). This effect is based on the fact that the integration of an intermediary in the distribution channel (between m suppliers and n consumers) helps reduce the number of necessary contacts between the different actors in the system. If m different manufacturers (e.g. one for meat, one for bread, one for detergents, etc.) were to sell to n different households, then the number of necessary contacts would be m*n. Using, in the extreme case, only a single intermediary in this channel, reduces the number of contacts to m+n.

In more recent economic analyses, transaction cost theory has often been used to explain the use of independent intermediaries in a value chain. Tills theory explains the existence of firms in general and the level of vertical integration with the differing costs of transactions (Williamson 1985). As an example, for highly complex products, the cost of transferring the necessary product knowledge from the manufacturer to an independent retailer may be so high that a vertically integrated solution (i.e. direct selling) could be optimal, but in many other cases using independent intermediaries leads to lower transaction costs.

DIFFERENCES IN MODERN RETAIL AND TRADITIONAL RETAIL

Order Acquisition

Traditional Retail: The sales representative goes to the outlet, checks the stock, clarifies the advancements (assuming any) and after that recommends a request to the store proprietor. The store proprietor at that point concurs or adjusts the request.

Modern Retail: The order would be recommended by the IT arrangement of the Modern Retail chain.

ORDER EXECUTION

Traditional Retail: The distributor would deliver the order 1-2 days after the request was taken. Or on the other hand if the model of operation is a prepared stock unit [the sales representative who takes orders goes with a van which conveys the stocks] , then the stocks are conveyed when the request is taken – the sales representative hands over the request to be conveyed to the merchandiser/conveyance kid who goes with the van. They pick the stocks from the van and convey to the store.

Modern Retail: The delivery slots or delivery windows are fixed by manufacturer. The deliveries to the DC (Distribution Center) or Stores must be made inside the conveyance openings or conveyance windows. Any miss on the conveyance windows or conveyance spaces would prompt a punishment or/and backpedaling to the toward the end in the line (your conveyance will be booked after all conveyances for the day have been finished) or/and conveying straightforwardly to the stores.

Some Modern Retailers may require conveyances in beds (CHEP or LOSCAM). In the event that the Modern Retail/Organized Channel crosses docking, at that point pressing would need to be done store wise.

Much of the time since deliveries to stores must be done in van/trucks the deliveries may must be done around evening time when there is NO-ENTRY limitation on substantial vehicles.

At times deliveries are booked according to the class – nourishment on a specific day, individual care (cleansers, shampoos, toothpaste) on one more day, staples on one more day and so on. On the off chance that an organization works crosswise over classes, the organization would need to do different deliveries in week.

PROMOTIONS

Traditional Retail: Standard organization promotions are executed.

Modern Retail: Promotions would be somewhat driven by the Modern Retailers. These advancements would be extraordinary to the Modern Retailer. "Any stickering or"customization or control that should be done should be finished by the producer or LSP.

NEW LAUNCH

Traditional Retail: A manufacturer would have a business dispatch for Traditional Retailers to acquaint another item with the market. On the day the item is to be propelled, the salesman would take orders for the new item and the new item would be on the racks.

Modern Retail: The dispatch of another item in Modern Retail is more muddled. The new item dispatch would need to be educated to the Modern Retail a very long time ahead of time. It would need to be incorporated into the item ace of the Modern Retail. The planogram would need to be adjusted to incorporate the new item. Now and again, a situation charges would likewise must be paid.

IN-STORE

Traditional Retail: Once the stocks are passed on, the store proprietor or shop accomplice engineers the stocks on the rack or in the back room. Right when a customer asks for a thing, the shop partner knows where the stock is kept, gives the thing to the client.

Modern Retail: The stocks might be taken straight to the rack or taken to the reserved alcove. A standout amongst the most critical contrasts between a Traditional Store and Modern Retail store is that in a Modern Retail store the client gets the item from the rack. On the off chance that the item isn't on the rack, the client expect that it is out-of-stock. The item may really be accessible in the private cabin. In this way, one of the vital coordinations movement in a Modern Retail store is to renew the racks routinely with the goal that the rack is constantly loaded. Many stores keep up merchandisers whose activity is to recharge the racks from the private cabin.

PAYMENT

Traditional Retail: Payment is made to the “stockiest” or merchant quickly or on the following visit of the sales representative. Along these lines, the credit time frame is normally equivalent to the time between 2 visits of the sales representative.

Modern Retail: Modern Retailers for the most part request a long credit period from makers and sellers. Once in a while, a Modern Retailer may request a unique organization for their solicitations. They would not acknowledge the standard receipt configuration of the maker.

Metrics/ Scorecard Measures

Traditional Retail: Usually, Traditional channel stores don't have a formal scorecard to evaluate producers. They have a general approach which would be consistency of extension, time among demand and transport, and fill rates.

Modern Channel: Modern retail chains have a formal scorecard to check creators. The coordination's measures would be rack openness, stock levels, case fill rates, on-time transport.

Since the coordination's system of Traditional Retail channel isn't exactly the same as the Modern Retail/Organized Retail channel, producers have a substitute gathering for the two channels. This is the thing that the gigantic players do. The more diminutive players outsource the coordination's of the Modern Retail/Organized Retail to LSPs.

TRADITIONAL RETAIL FUNCTIONS

Purpose of Catalogues of Functions

To answer the fundamental question of why retailers exist, instead of, as an extreme scenario, all manufacturers selling their products and services to all final consumers that want to buy these products directly, different catalogues or lists of retail functions (or "distribution service outputs") have been brought forward (Alderson 1954; Sundhoff 1965; Bucklin 1966; Coughlan et al. 2(K)6; Waterschoot et al. 2010). In the following explanation, we do not follow a specific one of these catalogues but derive a list of functions that retailers usually perform in the value chain between producers and consumers as a synthesis of the above- mentioned sources.

SORTING

One of the benefits that a retailer in the value chain provides is the sorting of goods. This creates value because manufacturers typically produce a large quantity of a limited variety of goods, whereas consumers usually demand only a limited quantity of a wide variety of goods (Coughlan et al. 2006, p. 6). Sorting, in this respect, includes assorting, i.e. the building up an assortment, and breaking bulk, i.e. offering small lot sizes.

CREATING AN ASSORTMENT

Retailers provide the customer with an assortment of products and services and thereby offer him variety (Bucklin 1966; Waterschoot et al. 2010). They offer the consumer a selection of products (the merchandise mix or product range), which they preselect from a very broad offer of products offered by existing manufacturers, and retailers bring these products into association with each other.

For example, in a supermarket, retailers offer a choice of up to 15,000 items that usually originate from over 500 different suppliers. Thus, while manufacturers can specialise in producing a very limited product range, retailers still make a broad product range available for the consumer. Consumers can choose between different products in one category and can combine their purchases and buy several items in the same store, fulfilling the increasing need for "one-stop-shopping".

INDIAN GROCERY RETAIL MARKET

Grocery constitutes over 50 per cent of the Indian retail market and has an annual turnover of US $80 billion. There are estimated to be 6.5 million grocery outlets in the country in various shapes and sizes. Almost all of' these are unorganized and fragmented. The organized sector represents mere two per cent of the total grocery market in India and this is concentrated in urban locality. The pressures from the consumer demand and range proliferation are impacting the grocery in urban India today. In the past there have been sporadic efforts by the government and the co-operative sector to develop modern formats. These include discount dry grocery shops like Super Bazaar in Delhi and Shakhari Bandar in Mumbai. Numbers of traditional kirana stores are expanding to become super kiranas. New forms of stores are expanding to include customer walk through space and allow self-service shopping with touch and feel. Food World is the best example for this, where product categories include staples, fresh fruits, vegetables, dairy, bakery, frozen products, processed food, beverages, household cleaning products and general merchandise. The other example includes Subhiksha in Chennai and Bangalore.

GLOBAL SCENARIO OF RETAILING

Retail has played a major role world over in increasing their activity across a wide range of consumer goods and services. The impact can be seen in countries like U.S.A., U.K., Mexico, Thailand and more recently China. Economies of countries like Singapore, Malaysia, Hong Kong, Sri Lanka and Dubai are also heavily assisted by the retail sector. Globally, retailing is a big business and its turnover accounts to US $ 6.6 trillion. The retail industry in America employs more than 22 million people and generates more than US$ 3.0 trillion in retail sale annually (www.epwrf.res.in). According to the India retail report 2005, the retail sales was found to be the highest in developed countries like U.S.A. and U.K., wherein 85 per cent of the retail sector was constituted by organized retailing due to 100 per cent foreign direct investment (FDI) and its contribution of nine per cent to GDP and more than 10 per cent employment in these countries (www.imagesretail.com/india_retail_report.htm). The share of organized retail is more so in case of developed countries due to the busy life schedule and lack of time for shopping for the common man, high literacy rate, exposure to media, greater availability and penetration of variety of consumer goods into the interiors of the country and better shopping experience. Whereas, the share of organized retail outlets in developing countries was very less, it was 17 per cent in China and very meager, about Three per cent, in India because of the poor literacy rate, lack of exposure to media, non-availability and low penetration of consumer goods to rural areas of the country and lack of shopping experiences. There are many Multi National Companies (MNCs) operating in the retail business throughout the world. The big four champions in 2004 were Wal-Mart, Carrefour, Home Depot and Target.

Except Carrefour, which hailed from France, all three top champions were from U.S.A. The combined sales was US $ 438 billion and were growing at the rate of 10 per cent per annum, there growth came from putting small stores out of business. This is happening in Europe and Asia also in recent times. The Big Box and Hypermarket are operating everywhere. However, Germany based Metro is operating in 27 countries all over the world including India.

Impact of Organised Retail on Traditional Retail

An overwhelming percentage of food and grocery being sold in this country is through traditional retail outlets such as kirana stores, street hawkers, and wet market stall operators. Once the share of overall modern retail in food reaches about 25–30%, it is bound to alter the way the traditional channels of retail function. These kirana stores, street hawkers, etc. can also become a part of the modern retail change story if they (a) can be assimilated into organised retail; (b) are upgraded through infusion of capital, better training, etc.; and (c) can organise themselves under their banner through franchises, etc. The existence of large retail chains even in advanced countries has not wiped out the small shopkeepers or what are called 'Mom and Pop' stores. They retain a personal touch which is absent in large retail outlets. Also their proximity to where people live is a great advantage.

FUTURE TRENDS IN RETAIL SECTOR IN INDIA

Modern retailing is more facilitative and providing as compared to what was seen in traditional stores. A study by Kaushesh (2006) on the past and the present trends in retailing has shown that the traditional stores mostly base their marketing strategies on two factors, viz., low price and convenience. He describes that the strategies of modern formats are based more on value, customer relationship and customer experience rather than mere price and convenience. In order to provide full value for money to the customers, the retailers must recognize their customers' expectations and offer something more than their expectations such as discounts, free coupons, a free gift, after sales service or free home delivery, delights the customers. There is more investment, more innovation, more opportunities, more challenges as well as more demand in the modern/organized retailing. retail sector is all set to narrate a very fascinating story in the coming few years which will be embedded with characters like radical changes, shattering of paradigms, large investments and few failures as well". The expert advisors associated with the report have made an effort to put forward a minor viewpoint regarding some of the projected trends that the Indian retail sector may exhibit in the coming years. Some of these trends are discussed as follows:

Modern Retail vs. Traditional Retail One set of thought advocates the idea that the growth of organized retail and the entry of the foreign brands may cause eradication of the traditional stores. The business tactics used by both, the modern and traditional, retailing vary as they are recognized by their core characteristics.

Where the modern stores are able to provide the customers with better affordable prices due to presence of large formats; the traditional stores are more convenient to approach with the presence of a trustworthy relation between the retailer and the customer. But instead of eradication of one, the experts foresee the coexistence of both modern and traditional retailing. They also opine that the organized retailers will also come out as a big support to these traditional mom-and-pop stores. It is observed that the traditional formats like hawkers, grocers and small bania shops effectively coexist with the modern store formats like supermarkets and department stores, and non-store retailing formats such as e-retailing and telemarketing.

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