



NEERAJ®

OVERVIEW OF RETAILING

B.R.L.-101

**Chapter Wise Reference Book
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Based on

C.B.C.S. (Choice Based Credit System) Syllabus of

I.G.N.O.U.

& Various Central, State & Other Open Universities

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**Sample Preview
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QUESTION PAPER

June – 2024

(Solved)

OVERVIEW OF RETAILING

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Time: 2 Hours]

[Maximum Marks : 50

Note: Attempt any five questions. All questions carry equal marks.

Q. 1. What is consumer behaviour? Explain the difference between buyer and consumer. How social and cultural factors influence consumer behaviour? Discuss with examples.

Ans. Ref.: See Chapter-2, Page No. 16, 'Meaning of Consumer Behaviour', 'Distinction between Buyer and Consumer', Page No. 17, 'Social Factors' and Page No. 18, 'Cultural Factors'.

Q. 2. How do you distinguish modern retail formats from traditional formats? Explain these formats with examples.

Ans. Ref.: See Chapter-3, Page No. 35, Q. No. 1, Q. No. 3 and Page No. 34, 'Modern Retail Formats'.

Q. 3. Describe the emerging trends in Indian retailing. Enumerate the factors that influence the growth of retailing in India.

Ans. Ref.: See Chapter-1, Page No. 2, 'Emerging Trends in Retailing' and Page No. 3, 'Factors Influencing the Growth of Retail'.

Q. 4. (a) Describe the factors affecting the choice of a retail store location.

Ans. Ref.: See Chapter-5, Page No. 66, Q. No. 2.

(b) Explain the influence of situational variables on retail customer's shopping behaviour.

Ans. Ref.: See Chapter-2, Page No. 22, Q. No. 4.

Q. 5. Distinguish cross merchandising from merchandise. Which factors would you suggest for a retailing unit to consider for producing merchandising and why? Discuss with examples.

Ans. Ref.: See Chapter-4, Page No. 50, Q. No. 2.

Q. 6. Describe the stages in consumer decision-making process in purchasing with examples.

Ans. Ref.: See Chapter-2, Page No. 21, Q. No. 3.

Q. 7. Explain the ethical dimensions of retailing. What are the benefits of managing ethics in the business?

Ans. Ref.: See Chapter-11, Page No. 140, Q. No. 1 and Page No. 142, Q. No. 2.

Q. 8. Write short notes on the following:

(a) Customer Relationship Marketing

Ans. Ref.: See Chapter-6, Page No. 75, 'Evolution of Customer Relationship Marketing (CRM)' and 'Establishment of Loyalty Programs'.

(b) Value Added Tax (VAT)

Ans. Ref.: See Chapter-7, Page No. 93, Q. No. 4.

(c) Chain stores in India

Ans. Ref.: See Chapter-3, Page No. 34, 'Chain Stores in India'.

(d) Security arrangements in Retailing

Ans. Ref.: See Chapter-7, Page No. 89, 'Security Aspects in Retailing'.



QUESTION PAPER

December – 2023

(Solved)

OVERVIEW OF RETAILING

B.R.L.-101

Time: 2 Hours]

[Maximum Marks : 50

Note: Attempt any five questions. All questions carry equal marks.

Q. 1. What is retailing? Discuss the future of retail industry in India. Explain the pros and cons of this industry.

Ans. Ref.: See Chapter-1, Page No. 1, 'Meaning and Importance of Retailing' and Page No. 8, Q. No. 5.

Q. 2. Explain the various stages of purchase decision while buying a new car.

Ans. Ref.: See Chapter-2, Page No. 21, Q. No. 3.

Q. 3. (a) Discuss the various types of retail formats with examples.

Ans. Ref.: See Chapter-3, Page No. 35, Q. No. 2.

(b) Explain the various components of retail store display.

Ans. Ref.: See Chapter-5, Page No. 62, 'Introduction' and Page No. 64, 'Components of Display'.

Q. 4. Why is visual merchandising considered important in retailing? Explain the various components of visual merchandising.

Ans. Ref.: See Chapter-5, Page No. 66, Q. No. 3.

Q. 5. Explain the Acts pertaining to retail industry and explain how important and relevant they are in the present context of booming retail.

Ans. Ref.: See Chapter-7, Page No. 91, Q. No. 2.

Q. 6. What is Business Ethics? Explain the broad areas of business ethics in retailing with examples.

Ans. Ref.: See Chapter-11, Page No. 140, Q. No. 1 and Page No. 142, Q. No. 2.

Q. 7. Discuss different types of store layouts. Illustrate with examples.

Ans. Ref.: See Chapter-5, Page No. 64, 'Types of Layouts' and Page No. 67, Q. No. 1.

Q. 8. Write short notes on the following:

(a) Private Brand vs. National Brand

Ans. Ref.: See Chapter-10, Page No. 127, 'Private Brands'.

(b) E-tailing

Ans. Ref.: See Chapter-4, Page No. 114, 'E-Tailing'.

(c) Challenges for retail in India

Ans. Ref.: See Chapter-1, Page No. 4, 'Challenges for Retailers'.

(d) Cash and Carry Retail Format

Ans. Ref.: See Chapter-10, Page No. 128, 'Cash and Carry'.



Sample Preview of The Chapter

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OVERVIEW OF RETAILING

Retail Scenario

1

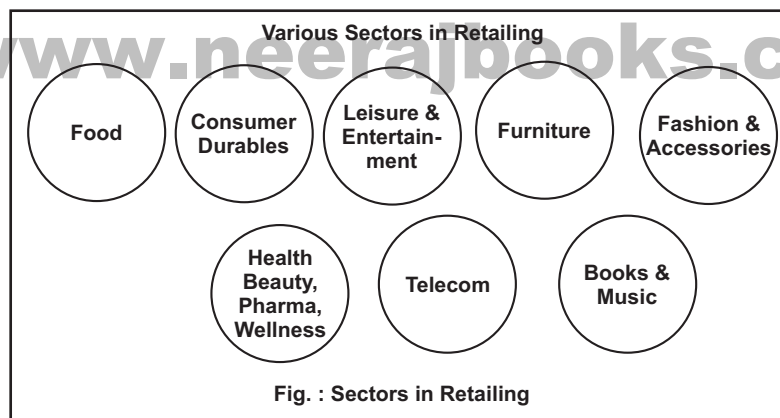
INTRODUCTION

The retail industry in India, a labour-intensive sector, is the largest private sector entity and second-largest employment generator after agriculture. It plays a crucial role in economic growth by providing jobs and infrastructure. Derived from the French word “retailer,” meaning “to cut again,” retailing involves sorting, storing, packing, and selling products in small quantities to consumers, contributing over 10% to India’s GDP. Expected to grow from \$0.8 trillion in 2020 to \$1.5 trillion in 2030, India’s retail industry ranks second globally. By 2030, it is projected to create 2.5 crore new jobs, significantly impacting the economy.

CHAPTER AT A GLANCE

MEANING AND IMPORTANCE OF RETAILING

Retailing involves selling goods and services directly to end users for personal use, not for resale. It is the final activity in the product distribution chain. Retail formats vary by convenience, with large cities featuring organised retail through stores and vending machines, while rural areas use small shops, mobile vans, and markets. Retailers are classified as either store or non-store types based on their functions. Cundiff and Still define retailing as selling directly to ultimate consumers, while the American Marketing Association sees it as business activities for exchanging goods and services for personal use. Key retail sectors include food, fashion, furniture and telecom.



Importance of Retailing

- 1. Contributes to the GDP:** The retail industry contributes about 10% to India’s GDP.
- 2. Employment Opportunity:** The retail industry is India’s second-largest employment provider.
- 3. Mobilizing Finance:** Small retail setups require minimal investment, making finance mobilisation easy for shop owners.
- 4. Customer Convenience:** Retail stores offer numerous products under one roof, enhancing customer

convenience with added services like delivery and alterations.

- 5. Bridges the Gap Between Consumer and Manufacturer:** Retailers bridge the gap between manufacturers and consumers by procuring finished products and selling them to customers.

- 6. Provide Feedbacks to the Manufacturer:** Retailers provide valuable consumer feedback to manufacturers, helping improve and develop products based on customer experiences.

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7. Contributing to the Environment: Retailers promote green initiatives, like using paper bags, to protect the environment.

8. Contributing to the Society: Corporates engage in CSR activities, supporting society through donations and charity.

9. Trend Setters: Retailers promote new fashion trends and educate customers about available products.

10. New Area of Study: The growth of organised retail has led to new educational opportunities, including retail-focused degrees.

FUNCTIONS OF A RETAILER

The functions of a retailer are:

1. Buying and Assembling: Retailers procure a mix of merchandise, breaking wholesale packaging into retail sizes.

2. Storage: Retailers maintain stock reserves and manage risks of obsolescence and damage.

3. Displays and Services: Retailers display merchandise attractively, discuss feedback, and introduce new products to customers.

4. Credit Availability and Servicing: Retailers offer goods on credit, package orders, and cater to customer timings.

5. Season Forecasting and Demand Estimation: Retailers forecast demand based on regional events, ensuring customer needs are met.

6. After Sale Services: Retailers provide post-sale support, crucial for maintaining competitive presence.

7. Bridge the Gap: Retailers buy bulk from manufacturers and sell smaller quantities to consumers, earning profit.

8. Brand Promoters: Retailers promote brands through advertisements and sales activities, boosting product visibility.

9. Shares Feedback: Retailers relay customer feedback to manufacturers to help improve product quality.

EMERGING TRENDS IN RETAILING

The Indian retail industry is rapidly growing from local kiosks to e-commerce, driven by digital and mobile technology advancements.

S. No.	Factors	Details
1.	Growing Income	India will add 140 million middle-income and 21 million high-income households by 2030.
2.	Increased Online Spending	Online shoppers in India will reach ~500 million by 2030.

3.	Growth of Rural Consumption	Rural per capita consumption will grow 4.3 times by 2030.
4.	Young Millennial Households	India will add nearly 90 million millennial-headed households by 2025.
5.	Organic Growth	Retail industry is expected to grow at 15% CAGR, reaching 18% by 2025.

In 2020, India had 19 million retail outlets, with 94% under 500 sq ft. Employing 40 million, India has 11 shops per 1,000 people. Kiosks and omni-channel retailing have emerged, requiring retailers to adapt swiftly to changing formats and strategies. Despite growth in organised retail in India, the unorganised sector is adapting by offering browsing, diverse products, CRM, home deliveries and online services. DIY stores boost customer interest and lower costs, emphasising that shopping must combine convenience, service, and entertainment to retain customers. In Indian organised retailing, mall developers and retailers operate separately. Developers create and lease malls, while mall management companies handle operations, leaving retailers dependent on these services.

Spread of Organised Retailing

Organised retailing in India has rapidly evolved with 50 million sq ft of mall space. DLF Malls leads with 4.2 million sq ft of retail space, numerous brands, and significant customer traffic. Spencer Plaza in Chennai, rebuilt in 1985, is India's oldest mall with 530,000 sq ft of retail space. *Subhiksha*, a pioneer in Indian organised retail founded by IIM-A alumni, grew to 1,665 stores and built a strong brand. Despite its initial success and the booming retail industry, global recession and over-expansion led to liquidity issues, causing operational failures and eventual shutdown. Retail is evolving with new terminologies and formats like non-store retailing and e-commerce. Organic and inorganic growth, along with technological advances, are driving the sector's expansion and transformation.

Global Trend

Indian retail has shown significant growth due to demographics, purchasing power, and behavioural trends, with organised retail needing to leap to match global standards. International brands are increasingly recognizing India as a major market. Retailing is a major revenue and employment sector, highlighting a nation's economic standing. Developed countries have over 50% organised retail, unlike India, which lags.

Rank	Retailer	Country	Countries of Operation
1.	Wal-Mart Inc	USA	26

RETAIL SCENARIO / 3

2.	Amazon.com Inc.	USA	21
3.	Costco	USA	12
4.	Schwarz Group	Germany	33
5.	Home Depot	USA	3
6.	Kroger	USA	1

The global retail market grew from \$20.3 trillion in 2020 to \$22.4 trillion in 2021, with Asia Pacific leading. North America and the Middle East follow. Retail markets are segmented into various categories including food, clothing, electronics, and e-commerce. Each sector contributes uniquely to the retail landscape. Wal-Mart, with \$548.7 billion in revenue, leads globally, using bulk-buying and efficient logistics. Its strategy includes dis-intermediation, benefiting customers with lower prices.

Japan's retail industry, with 46 trillion yen in sales, remains strong in physical stores despite growing e-commerce. Consumers prefer brick-and-mortar for daily essentials and food. In Europe, Germany leads in retail turnover, with Central and Eastern Europe experiencing higher growth rates. Bulgaria, Czech Republic, and Romania show the highest increases.

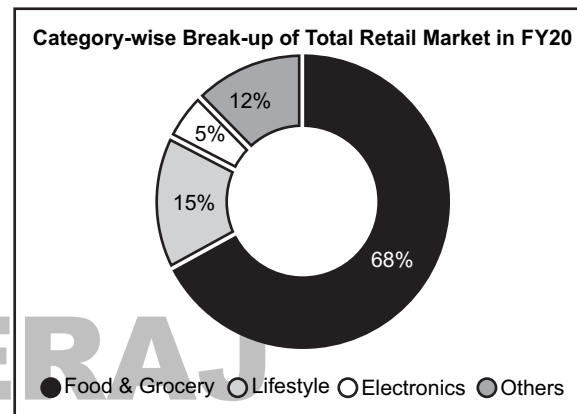
India's retail market blends international trends with local customs, like Indianized fast food. Brands adapt to cultural preferences, balancing global influences with local needs. Fashion retailers in India use private labels and exclusive merchandise to improve profitability and control over supply chains. This strategy helps in catering to diverse regional demands. Retail chains are acquiring established brands, like Reliance with BPL and Kelvinator, to cater to a new generation of consumers. These acquisitions reflect evolving consumer preferences and increased brand awareness.

Indian Trend

Indian demographics, featuring educated and spending youth, drive retail growth. Traditional practices merge with modern trends, attracting global brands. Government support, including 100% FDI, fuels this growth, enhancing market appeal. Indians expect foreign brands and services, driving retail demand. Global brands like Walmart and Amazon are present, while local entities dominate physical retail. Online retail is booming, projected to reach \$350 billion by 2030, surpassing 2021's \$55 billion.

Technological advancements accelerate product turnover, increasing consumption patterns. India's young population and rising disposable incomes attract international retailers. Government investments in infrastructure, rural development, and public health support retail growth. Urbanisation and increased employment drive youth migration, expanding organised retail from 1.5 million sq. ft. in 2001 to 78 million sq. ft. in 2018. Infrastructure growth leads to

new retail destinations in expanding cities and tier III & IV cities. This boosts local entrepreneurship and consumer access with low capital requirements.



Domestic retail is dominated by other retailers (69%), followed by lifestyle (15%), food and grocery (12%), and electronics (5%). Retailers play a significant role in corporate social responsibility, contributing to health, hygiene, education, and community welfare. Tier 2 and 3 cities experience retail growth, as traditional and new formats cater to local needs. Convenience stores and neighbourhood shops thrive in these expanding markets.

FACTORS INFLUENCING THE GROWTH OF RETAIL

The factors influencing the growth of retail are:

1. Economic Growth: India's economy surged, boosting job creation and income levels. Higher purchasing power led to increased consumer spending, attracting more retailers to capitalize on opportunities.

2. Changing Demographic Profile: Growing numbers of college students and working professionals create a new market segment. Retailers are eager to target these expanding demographics.

3. Increased Disposable Income: Rising incomes have led to higher disposable incomes, driving demand for goods. This encourages retailers to cater to new consumer needs, such as motorbikes and cars.

4. Urbanisation: Rapid city growth and migration have increased demand for goods and services. Expanding urban areas invite more retailers to meet these needs.

5. Changing Consumers' Taste and Preferences: Frequent changes in consumer tastes create demand

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for new products. Retailers enter the market to address evolving consumer interests, such as the latest mobile phones.

CHALLENGES FOR RETAILERS

1. Lack of Technology Adoption: Expensive technologies like ERP and RFID are unaffordable for small retailers.

2. Lack of Infrastructure and Logistics: Inefficient distribution channels cause product losses, raising costs and impacting small retailers.

3. Scarcity of Skilled Workforce: Retail lacks appeal for academically qualified individuals, leading to a shortage of skilled workers.

4. Frauds in Retail: Retail shrinkages and frauds, like employee theft and accounting malpractices, cause significant losses.

5. Inefficient Supply Chain Management: Poor supply chain management leads to higher costs; outsourcing adds to expenses.

6. Price War Between Retail Organisations: Large retailers use price wars to outlast competitors, disadvantaging small players with lower margins.

7. Cultural Diversity: India's diverse cultures and languages result in varied consumer preferences, complicating demand forecasting.

8. Complexity in Tax Compliances: Despite GST, managing paper trails remains challenging and cumbersome for retailers.

IMPACT OF ECONOMIC LIBERALIZATION

The 1991 LPG policy opened trade restrictions, leading to multinational retailers exploring entry via exports, licensing, franchising, and joint ventures. Major brands like Benetton and Nike used these routes, with franchising growing rapidly as McDonald's and Pizza Hut entered India.

Import duties on fashion products decreased, making imports cheaper. The realty boom attracted investors, making franchising the favoured method for international brands by 2003, while licensing became less common.

The Indian government allowed up to 51% foreign direct investment in single-brand retail. Many brands entered India through joint ventures or converted franchises into joint ventures, benefiting from liberalised regulations and financial support.

By 2021, nearly half of the international brands operated through franchise or distribution relationships, with a quarter using wholly owned subsidiaries for better control. VF Corporation exemplifies this strategy, evolving from licensing to a joint venture with Arvind Brands.

TERMINAL QUESTIONS

Q. 1. What do you understand about the term 'Retailing'? Discuss various evolving trends supporting the Indian retailing scenario.

Ans. Retailing is a set of business activities focused on selling goods and services directly to end users for personal use, not for resale. It represents the final stage in the product distribution chain to consumers. Retail formats vary to meet customer and retailer needs. In large cities, organised retail sales are common, featuring larger stores and automated vending machines. Conversely, rural areas often use traditional methods like small shops, mobile vans, carts, and weekly markets. Retailers can be categorised into store-based and non-store formats based on their operational functions.

Cundiff and Still describe retailing as the activities involved in selling directly to end consumers. The American Marketing Association defines it as business activities aimed at exchanging goods and services for personal, family, or household use, whether conducted in-store or through other non-store methods.

Various Evolving Trends: The Indian retail industry is experiencing rapid and continuous growth, spanning from small paan kiosks in remote villages to neighbourhood kirana stores, modern trade, e-commerce, and omnichannel retail experiences. Technology has driven this transformation, with both retailers and consumers becoming increasingly digital. Mobile e-commerce apps have evolved from a minor presence to a significant shopping behaviour.

Kiosks have become popular due to their mobility, low operational and rental costs and quick customer response. Omni-channel retailing has diminished the importance of a single retail format, requiring organised retailers to adapt their strategies swiftly.

Despite a shift towards organised retail, the unorganised sector remains competitive. It has begun offering features like merchandise browsing, expanded product categories, larger SKU sets, single-window billing, CRM facilities, and home delivery. DIY stores boost customer purchases and reduce costs by combining shopping with entertainment.

Spread of Organised Retailing: The Indian retail sector has undergone significant evolution, particularly with the rise of organised retailing. Retail malls began emerging in India in the late 1990s and have expanded rapidly over the past two decades. One landmark in India's retail history is Spencer Plaza in Chennai, which, originally built in 1895, was reconstructed in 1985 and became the largest shopping mall in South Asia at the time.

Subhiksha, once a pioneer in organised retailing, grew rapidly to become India's largest retail chain with 1,665 stores. However, due to overexpansion and financial difficulties exacerbated by the global recession, it faced severe liquidity issues and eventually halted operations.