



## RESEARCH ARTICLE

# A COMPREHENSIVE STUDY ON EVOLUTION, PRESENT SCENARIO AND FUTURE PROSPECTS OF RETAILING

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### ABSTRACT

This comprehensive study critically examines the evolution of retail as a key component of commerce, trade and business; various stages through which this business tool has undergone, what is the current retailing scenario all across the globe and finally what is its future outlook. Retail, as one of the basic tools of business has undergone a considerable change; since its inception, its dynamic nature is changing it rapidly. There have been several drivers responsible for this change such as globalization, government policies, manufacturers, service providers, changing business dynamics, industrial alterations, innovation, consumers, etc. This research paper examines all of these reasons and intends to determine how the future of retail may be like a few decades from now.

**Research Type:** Analytical and Conceptual

**Research Objective:** The fundamental reason for taking up this research is to critically examine the concept of retail, retail management and retail marketing. In addition to this, the paper analyses the journey of retail till date ever since its inception as a key component of trade, commerce and business. And finally this research intends to draw a future blueprint of retail industry.

**Research Scope:** This comprehensive research provides a platform for determining new, better and innovative retail formats.

**Key Words:** Retail, Retailing, Retail Management, Retail Marketing, Consumer Behavior, Customer Outlook, Business Innovation, Electronic Business.

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### INTRODUCTION

Retail is one industry that has never remained static and has always evolved with time, in the past many decades there has been a massive transition in the nature of this particular industry. Few centuries back as a basic tool of business, retail involved sale of goods to the consumers through small unorganized street stalls and shops and since then the nature and functioning of this tool has changed beyond proportions and has constituted retail from merely being a tool of business into a huge industry. This comprehensive study strives to discuss and analyze this journey of retail with special focus on present and upcoming future trends.

#### Experts Opinion on the Shape of Retail in the Time to Come

Senior level managers such as CEOs, marketing heads, sales heads, strategists etc. of several reputed firms have commented on the shape of retail in the future to come.

Their opinions have been based upon their experience, their understanding about the industry and intuitions. A few expert opinions and suggestions about future retailing can be discussed as:

**A Steep Fall in the Cost of Operations:** As per the opinion of several management and industry experts, there is going to be a sharp reduction in the cost of retailing operations. Retailers in the time to come will be using such tools which are inexpensive and at the same time most effective. Since the beginning, undertaking retailing operations has been a costly affair and with time this industry has experienced a great fall in its operations and this trait is expected to continue further in the time to come.

**Transition from Large Retail Formats to Small Ones:** The retail industry is going to experience a big alteration in terms of size of its layout, space and location without compromising upon the scale of operations. Experts suggest that the retailers in future are going to reduce the size of their layouts in order to overcome overhead costs and costs involved in shipping, storing and physically handling the goods.

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**Introduction of New and Innovative Ways of Retailing:**

Experts from retail industry suggest that in the time to come, new and better ways of retailing will be introduced and discovered as retail has always remained dynamic. Experts totally argue upon any static trait or theory regarding retailing and suggest that we would certainly experience innovative ways of promotion and sale of existing and newly discovered products and services.

**Electronic Commerce to Completely Capture Retailing:**

The boom of internet and cashless retailing is already widespread and a very popular scenario all across the globe. The experts suggest that this scenario is going to spread further and cover almost all the regions of the world where cash is still a popular tool for sale and purchase of goods. The present retailing industry is thriving upon internet (e-commerce, tablet-commerce, mobile commerce etc.) and this mode of retailing will certainly overshadow and capture the other ones all across the globe.

**Changes on Account of Technology:** Technology is one factor that has always transformed all sorts of industry with time, retail being one of them. This constant development in technology will certainly give a new dimension to retailing in the time to come.

**E- Commerce: Life Blood of Retail**

In the past one decade, electronic commerce has completely transformed the retail industry and has surely become its life blood. Today, e-commerce is the only industry all across the globe which is surging in double figures. As per the recent reports, facts and figures, e-commerce sales globally surpassed the revenues of all other industries. Below are certain facts and figures for e-commerce sales:

Year	E-Commerce Annual Sales (in \$ trillion)
2012	\$ 1.2
2013	\$ 1.41
2014	\$ 1.47
2015	\$ 1.53
2016	\$ 1.62

From the figures above, one can make out how e-commerce has been growing in the past few years. As per recent studies, e-commerce is expected to further grow by \$ 1.2 trillion in the coming five years which would almost double its current size. At present e-commerce constitutes around 6.5 percent of the global retail market.

**Building Blocks of Retail**

This section discusses a few ways, tools and techniques that retailers have been using all across the globe to ensure that this particular industry thrives. In addition to this, this particular section also suggests new and innovative ways which may improve the existing retailing scenario.

**Creation of Dynamic Customer Experience:** Since beginning, it has always been imperative upon any retailer to offer dynamic services to its customers. Customers all across the globe have always expected changes from retailers as per their requirements. Earlier when the coverage of people holding debit and credit cards was less, the preference of customers used to be offline transactions via cash, but with the boom in banking sector and emergence of internet banking, the

preference of customers got changed and they now prefer internet banking and online payments.

**Customer Specific and Tailor Made Services:** It is imperative on the part of any retailer to offer customer specific services as per the needs of the customers. Retailers have to ensure that their services match the expectations of the customers and give them value for money. The best example of customer specific service can be of online and offline transaction systems; even in the present modern scenario there are several customers who feel more comfortable with making payments offline via cash and are not much used to online banking services, for such category of customers, it is important that the retailers make special arrangements and provide services as per their needs.

**Amalgamation of Retail and Technology:** Retailers all across the globe have always adapted to technology in making their services more effective and convenient for the customers. With the inception of online banking, retailers started using card processing machines, similarly after other technological advancements retailers also started making the use of vending machines and other tools to sell and promote their products. Hence, one can say that retail has always been technology driven.

**What Retail Evolution has to Offer**

For many decades, the brick and mortar format was the most common format for retailing and in the past one and a half decades, there has been a huge transition where shop-less shopping has emerged as one of the most common forms of retailing and customers have become very comfortable with this particular format as it is very convenient and tailor made in its nature. On the contrary, no one can even deny the fact that brick and mortar retail formats have also advanced and developed themselves and are still very popular worldwide and are not going die soon as per the experts as billions of customers still feel more comfortable and convenient with such primitive retail formats. There have been several reasons why the 'brick and mortar' format of retail lost its major share within the retail industry and customers started giving it a second thought. This revolution of changing and transforming physical retail stores have been on account of several reasons, a few of them can be discussed as:

**Online Boom and Revolution:** With the introduction of internet and its constant interlinks with almost all the industries including retail, the shape of retail has changed beyond proportions. This internet revolution gave birth to e-commerce which has now become the life blood of retail. There are several reasons why e-commerce has been so successful; first and foremost the customers have found it really convenient and secondly the government's policies and procedures for almost every nation all across the globe has been to form a cashless society where all the transactions are being done in a transparent and clean manner which is only possible through online services.

**Smart Phones and M-Commerce:** The past few years have been all about smart phones and their utility for availing almost any service online. Retail via smart phones is the most common phenomena in today's scenario; almost anything can be purchased within a fraction of second just by one touch. There are several applications which facilitate online purchase

and sale of goods and services, noted examples of such applications are amazon, eBay, flipkart etc.

**Ease in Shopping:** Due to the emergence of e-commerce, mobile-shopping, tablet shopping; the mode for purchasing goods and services has become extremely easy for customers and ease in shopping has reduced the share of brick and mortar retail in the overall retail industry by a considerable amount.

**Digital Appeal:** Other common reason why physical retail formats are getting unpopular with day is the fact that online retailing has a digital appeal where the customers have a chance to critically view almost any product they intend to purchase along with all the product descriptions which is not possible with store based retailing where the stock is limited and it is very inconvenient for the customers to read product specifications.

### Changing Dynamics and Present Scenario of US Retail

The past two decades have witnessed a massive change in the way U.S. retail industry has evolved. Earlier there used to be several corporate giants and formats such as JC Penny, Sears, Radio Shack, Circuit City; in addition to these there were several shopping malls as well which have all witnessed a steep fall in their businesses and revenues. Moreover, other components of retail such as department stores, music stores, book stores etc. have witnessed a huge downfall as well both in terms of sales as well as employment. There has been an ongoing debate among various retail and management experts, of which majority agree upon the fact that physical form of retail is going to certainly become obsolete in the near future and will be completely replaced by online retailing. In addition to this, the experts also give their viewpoint that the customers in future will also prefer visiting giant stores such as supercenters and house clubs. Ever since the internet ("dotcom") boom in the late 1990s, United States has seen the emergence of e-commerce as one of the biggest sectors transforming all kinds of businesses. As the latest, quick and convenient form of retailing, e-commerce has impacted several elements of market structures, demand scenario and technology.

The studies conducted by experts all across United States reveal that physical retailing has not died yet and still this old form of retailing is booming in its segment. In the past one decade United States has seen the discovery and success of numerous physical retail formats such as walmart where customers get a wide variety of product line. Apart from this, retailing via supercenters, warehouse clubs offer several products for the customers such as groceries, appliances, furniture and apparels. This section of organized physical retail is enormous in terms of volume and revenue. The top four companies of this segment generated almost eight percent of the total sales in 2012. This massive figure was almost fifty percent more than the sales generated via online. There are notable evidences and studies conducted which prove that this physical form of retailing has been more promising in the past one and a half decades and had a greater influence over online retailing in shaping the retail industry of United States. Studies have proven that revenue generated by physical retail formats have been beyond proportions and this format is certainly not going to die in the near future. To put it in simple words, one can say that the future of retailing in United States comprise of a healthy collaboration between physical and online retail.

### Retail Sector Employment Scenario in United States

The share of retail in the total employment of United States was around ten percent in 1954. It stayed around this level till 1970 and by 1987 it was at its peak of 12.2 percent. Ever since then there has been a downfall in this particular figure and the current figure stands around eleven percent. On the contrary, the share of retail for value added has not shown similar traits but instead, it has shown a deep fall from 8.7 percent in 1954 to six percent currently.

### Share of Retail Sector in the American Economy

Despite of several estimates made by retail experts and economists, this sector's share in the total economic activity has remained unchanged in spite of the Great Recession. The share of retail in employment has been around 11.1 percent and its contribution in value added has been around 5.9 percent since 2008. These fair figures certainly contradict the theory of 'death of retail' in the near future.

### Role of e-commerce in American Retail

The emergence and enormous growth of electronic commerce has revolutionized not only the economy of United States but the entire global economy. This is the reason why any industry cannot ignore the value of e-commerce at present. If we talk about facts and figures; between the periods of 2000 to 2014, e-commerce sales rose rapidly from 0.9 to 6.4 percent as per the study of US Census Bureau. The rise in these figures show a eleven time increase in the sales from 2000 to 2014. Interestingly; on the contrary, offline sales rose by a massive fifty five percent. This shows that in spite of being such a big buzz during its launch, e-commerce simply could not withstand the figures of offline retail sales. This clearly shows that the share of e-commerce in retailing is still very less in comparison to manual retailing. The majority of e-commerce retail sales (almost eighty five percent) in 2013 occurred via mail order houses and electronic shopping. Three major categories of product that report the highest electronic retail sales via mail order houses and electronic shopping are footwear, accessories, clothing, furniture etc.

### An Analysis of Supercenter Retail Format

Our study has so far given us a clear picture that although electronic commerce may be the new revolution of the past one and a half decades, nobody can deny the fact that offline retailing has also grown and succeeded by a huge amount. Offline retailing has been conducted and pursued in several ways under several formats but one particular format that has grown at a rate even higher than electronic retailing is 'supercenter retail'. This format of retail generally has a product line comprising of products such as appliances, furniture and apparels, etc. The biggest names in this particular category are Meijer Stores, Kroger Marketplace, Walmart Supercenters and Targets. A direct comparison of these big supercenter giants with online retailers shows us that the supercenter format has grown considerably faster at a much better rate. For instance Amazon, the largest online retailer of United States showed an increase in sales of about \$ 38 billion from the year 2000 till 2013. On the other hand Costco; the largest supercenter retailer, saw a spike in the sales of about \$ 50 billion for the same period. These facts and figures clearly show that supercenter retail formats have been extremely successful in the US retail markets.

## Retail Market Structure Dynamics in United States

Apart from online and offline retailing, the pattern of retail depends upon several other factors; this particular section intends to discuss these factors in detail, a few of them can be discussed as:

**Scale of Operations:** The scale of retail operations in United States has been spiking and it continues to grow further. Studies have found that between the period of 1998 and 2012, the average size of retail firms for employment grew by an enormous eighteen percent, from 19.3 to 22.8 workers for each firm. This hike for retail firms was far more than the hike in the entire US economy wherein employees per firm grew only from 19.4 to 20.2. More than half of this massive hike came on account of bigger scale of operations. During the same period retail establishments showed a hike from 12.8 workers to 13.9 workers per retail establishment. Apart from employees, retail establishments also showed a huge growth and continued rising.

**Retail Market Concentration:** With time there has been a steep rise in the concentration of retail firms and several firms have come up, and this process is expected to continue further. The point to be noted here is that although several firms have come up, only a few of these firms constitute a very big share in comparison to the rest. For example in the year 2007, the top four firms in the market constituted 12.3 percent of the total retail sales.

**Declining Aspects:** Although retail has been regarded as one of the most promising industries in United States, there have been several declining traits that retail as encountered such as numerous exits by several players in the market, decline in the employment rates and wages, etc.

**Rising Urbanization:** Retail patterns have consistently changed on account of urbanization. Modern retailing is something which has remained more confined to urban regions and therefore the urban customers have been a deciding factor in its functioning and advancement.

### Retailing in Emerging Markets

Retail as a tool for business has always been altered as per the needs of the customers and with time several business models has been experimented in different markets keeping in mind the consumer dynamics. This particular section intends to discuss the various factors that have played a key role in reshaping retailing in the emerging economies like Brazil, China, India, Russia, etc., a few of these factors can be discussed as:

**Rise in Purchasing Power:** Almost all the emerging economies are experiencing a considerable hike in the purchasing power of their consumers and this offers an enormous scope for retail to flourish in these nations as the demand of billions of customers are huge and need to be met.

**Preference of Consumers for Modern Retailing:** The consumers of emerging nations are preferring modern retail formats rather than the primitive unorganized formats. This has lead to the establishment of several malls, departmental stores, specialty stores, convenience stores etc.

**Government's Liberal Policies and Procedures:** The governments of almost all developing nations have taken the initiative of inviting as many foreign retailers as possible and removing all sorts of restrictions that hamper the growth of retail sector. This has opened the gates for several players such as Walmart, etc. to enter these developing nations and cater to the needs of people.

**Change in Consumers Taste and Preference:** In the past few years there has been rapid change in the tastes and preferences of the consumers residing in developing nations. Consumers of nations like India, China, Russia, Brazil are now demanding better and branded products which has increased the scope for organized retail by a huge amount in these nations.

### Customers Future Retail Outlook

This section tries to identify and discuss various retail formats that we may discover and experience in the future to come with the ongoing technological advancement and changing retail dynamics. In order to get a clear and realistic picture of the future retail scenario, a study was conducted among 120 respondents belonging from the top four metropolitans of India- New Delhi, Mumbai, Chennai and Kolkata. The study involved gathering opinion from these respondents regarding how the future scenario for retail may be like. The respondents opinion regarding various future retail formats can be discussed as:

**E-Retail to Capture the Entire Market:** The respondents believed that in the future to come we will be witnessing a complete transition in the format of retailing wherein the concept of offline retail shall vanish completely and all of retailing will be done via online. Respondents also predicted that most of the retailing will be done through smart phones and tablets and mobile applications will rule this industry.

**Virtual Shops:** Technology is changing and advancing with such an enormous speed that many respondents also suggested that we might discover and experience the concept of virtual shops where there will be no physical shops and customers would be able to easily surf and shop from any place of their convenience. Respondents also agreed upon the fact that this retail format would give them more choices and a convenient way of accessing product features.

**Home Delivery to Dominate:** A few respondents suggested that the concept of home delivery will gain more popularity in the time to come and would certainly be a key component of retailing.

**Customer Specific Retailing:** A particular section of respondents suggested that in future, retailing would be customer specific via online for products such as apparels which require specific and accurate information. Respondents also predicted that this will eventually replace showrooms.

**'Shopkeeper-Less' Shopping:** Few respondents predicted that the ongoing technological advancements would finally lead to the creation of shops without shopkeepers where the store would comprise of several huge vending machines along with a voice recognition tool from where customers will be able to easily choose and purchase their products.

**Cashless Retailing:** The most common opinion among all the respondents was that of 'cashless retailing'. Customers said that they feel, in future almost entire retailing would be via online mode and several companies will also start giving rechargeable plastic cards which customers will be able to use in any store for purchasing commodities belonging to that the product line of specific companies.

## Conclusion

After carefully going through this analytical and conceptual research; one can conclude that retail, since its inception has had an amazing journey and this journey is expected to continue further in the time to come. Retail has witnessed a complete makeover in the past few decades due to internet revolution, electronic commerce, online banking, mobile commerce, etc. Apart from internet there have been several other catalysts such as the establishment of organized retail formats which have reshaped the previous formats completely. The nature of retail is so dynamic and customer driven that in future, we will be witnessing establishment of several other new retail formats and forms of retailing.

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