

Reliability of Departmental Stores

What is the issue?

\n\n

\n

- After the arrival of mid-format retailing in urban areas small departmental stores has declined.

\n

- But there has been no material evidence to support this claim.

\n

\n\n

What is the reality of departmental stores?

\n\n

\n

- Numerous departmental stores have been said to be adversely impacted by mid- and large-format out-of-town retail stores.

\n

- And later on by the online wave led by Indian marketplaces such as rediff.com and Indiaplaza, and by large marketplaces like Flipkart and, more recently, Amazon.

\n

- However, there has not been any material evidence to support the claim of the demise of departmental shops.

\n

- In fact, the reality and the hallmark of the Indian retail market is that departmental stores have such resilience that together they have withstood larger challenges than organised retail or marketplace models.

\n

\n\n

What makes departmental store more reliable?

\n\n

\n

- **For Buyers** - Departmental stores provide last-mile convenience that they bring to the neighbourhood, which is coupled with an element of trust which

is automatic and even generational.

\n

- Another element to consider is that they provide credit, and day-to-day items in volumes that one need and for which the demand is inelastic.

\n

- As offline large-format retail cannot extend their outreach beyond a point, departmental stores are able to happily fill the gap to meet the needs of the communities they serve.

\n

- **For Sellers** - The marketplace model benefits sellers immensely, and, in fact, gives an important fillip to small retailers by exposing them to the best practices in technology adoption and building business efficiencies.

\n

- It also helps local and small-scale producers, artisans and craftspeople gain a scalable platform to grow their business.

\n

\n\n

What is the reality of online market places?

\n\n

\n

- It is important to note that only 2.6 per cent of all retail in India is digital.
- Moreover, after almost eight years of operation and billions of dollars spent in creating a market, online marketplaces still have a measly 50 million transacting users.
- In the online space, the government does not permit foreign direct investment (FDI) in the inventory-based e-commerce model but allows investment in the marketplace model of e-commerce which provides an aggregation platform to smaller sellers.

\n

\n\n

What is the way forward?

\n\n

\n

- In order to create opportunities for online sellers and bring in newer segments, such as grocery to the online retail market in India, large investment inflows are absolutely necessary.

\n

- With two large players Amazon and Walmart entering the fray and, there is much scope for creating new demand in smaller towns and cities.
\n
- Overall, while there is reason to celebrate both departmental stores for their adaptability as well as online marketplaces for the opportunities they bring.
\n

\n\n

\n\n

Source: Business Line

\n\n

\n

