Reliability of Departmental Stores

What is the issue?

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- After are the arrival of mid-format retailing in urban areas small departmental stores has declined.
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- But there has been no material evidence to support this claim.
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What is the reality of departmental stores?

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- Numerous departmental stores have been said to be adversely impacted by mid- and large-format out-of-town retail stores.
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- 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.
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- However, there has not been any material evidence to support the claim of the demise of departmental shops.
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- 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.
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What makes departmental store more reliable?

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- **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.
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- 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.
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- 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.
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- **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.
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- It also helps local and small-scale producers, artisans and craftspeople gain a scalable platform to grow their business.
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What is the reality of online market places?

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- It is important to note that only 2.6 per cent of all retail in India is digital.
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- 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.
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- 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.
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What is the way forward?

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

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