

Urban retail networks

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<http://www.thehansindia.info/News/Article.asp?category=1&subCategory=5&ContentId=88377>

Spencer's was the oldest retail network in India – well known in the South but spread all over the British Indian provinces. And “Spencer's prices” meant premium prices for equivalents of ordinarily available goods. Spencer's served the ruling British elite and the traditional rural and new urban Indian elite who could afford those prices. No one complained.

With rapid urbanization by 2011, 31% of the Indian population lives in urban areas (49% in Tamil Nadu!). These 400 million urban residents need to be serviced with daily necessities. This means that the older logistics networks of procurement, transport, wholesale and retail are incapable of delivering the volume of necessities required to maintain daily life in the expanded metropolitan areas. Expanded and efficient supply networks are needed; otherwise shortages occur and prices rise.

Today nearly half the population is below 25 and they, for a change, have money to spend. And they spend quite lavishly – as any parent will know. The pent-up demand of centuries of frugal and parsimonious living is manifesting itself quite dramatically in our shopping centers.

The end of State-imposed markets; easy availability of imported goods and increasing money power of the urban elite and the urban middle class has led to an urban consumer boom. This also translates into a need for packaged goods, branded products and a modern shopping environment.

“In-and-out” is what the urban middle class wants and, what's more, they want to use their food vouchers and credit cards. No one has the time to wait for order and payment processing in the traditional way. And internet shopping is on its way.

Much of urban middle class shopping seems to be impulsive - they not only go to buy the things they need but also to see what's new and what everyone else is buying. This means that display and marketing is important both in the store as well as outside with advertisements and flyers stuck into your daily newspaper announcing new products and major discounts. Lastly, shopping is now entertainment and combined with the mall culture it is where urban Indian lives and wants to be happy. What has been the response?

The major Indian capitalist organizations have entered the retail market. These sell products made to order and where retail margins can pay for urban rents, wages and air-conditioning. The list is impressive. Reliance Retail has a long list of subsidiaries. The others are the Future Group, Raymond, RP Goenka group, Tata, Raheja, Lifestyle, etc. No one objects to the activities of these powerful well-endowed first movers in modern retail.

The smaller players who entered the business are now bent on growing bigger and servicing wider markets. These are firms like Sarvodaya, Sri Kannan Departmental Stores, Trinetra, etc. These tend to be more popular with the lower or middle-middle class and are Indian rather than Western by orientation. Yet, they design their layouts, cash and credit desks etc in the Western style.

Once Indian retail chains have been established, active and expanding, the FDI issue seems to be a useless debate. Foreign chains that want to enter the urban Indian retail business should be welcomed, as they would offer competition to the Indian retail chains in price, quality and service.

There is the argument that FDI in retail will drive out mom-and-pop stores and reduce employment. While they might, but so will the Indian retail networks. To be forced out of business by Indian or foreign

competition is all the same to the person having to close his shop. But this may not happen, as location is a critical factor for customers.

Take, for example, the Czech experience. When the Czech Republic shifted from communism to free - enterprise capitalism in 1989, the new government returned the property of all shopkeepers (as also other property) seized by the Communist State in 1949. Under communism these stores had been selling the scarce products that the communist system produced and there was no competition.

However, in 1989, Carrefour came in (which later sold out to TESCO) and so there were two systems. TESCO later began to expand, offer lower prices, better service and a posh shopping environment and slowly the small stores began to lose customers and money. However, their stores were fewer though larger and customers had to make an effort to get there.

At this stage a Czech enterprise began buying out the small stores and planned to take on TESCO by offering similar conditions but at the widely distributed existing locations. Soon TESCO realized that people prefer to shop within walking distance of their homes or places of work.

TESCO then bought out the independent Czech chain and now all these stores are converted to what is called "TESCO Express" and offer a limited selection of goods that a household needs on a daily basis. Other chains (Billa, Cesky Grunt, etc) also offer equal competition in locations close to where customers live and work.

Today the corner stores are back and so are the farmer's weekend markets.

The farmer's markets on weekends' open spaces are especially popular as they sell organic and farm fresh products as well as wine, meat, honey, jams, etc. They are unlike our fixed location Rythu Bazars - the Czech farmer's markets are weekend affairs in public spaces, which they vacate by Sunday evening.

Thus the Czechs have a mixed retail system of the multi-national giants, the independent local chains, corner stores, and farmer's markets.

This makes for diversity, specialization, competition and choice. In a capitalist free market system nothing is predictable and the only thing the State needs to do it to ensure the customer is not exploited too much.

After all, capitalism is founded on profit and if profit is excessive, either there will be new entrants offering competition or the State will take a share by way of taxes.

There is a major State-funded network: the Fair Price Shops that dot the rural and urban environment.

These were and are mainly intended to distribute subsidized products to targeted populations. Yet private individuals run them as profit centers and manage to make much more than they should be by surreptitiously selling the subsidized goods in the open market by denying them to the entitled customers.

Now that the Union Government has allowed FDI retail chains, those State governments that are opposed can legally deny them licenses to operate in their States. But they will be better advised to reform and restructuring the Fair Price Shop network and converting it into an honest and efficient supplier of all sorts of goods to the rural and urban poor, who will never go near a supermarket or mall.

In an organized and diversified system, the likelihood of exploitation is reduced; no FDI retail chain will be as bad in terms of service and integrity as our own Fair Price Shops. So, instead of stopping something new happening, why not try and revive and reform the old?

After the Meiji Restoration of 1868 in Japan, the issue of foreign vs. domestic came up. The Emperor Meiji was asked to decide and, in the inimitable style, he read out a haiku (poem) he composed, which became national policy:

Foreign flowers,
Native flowers,
All Blooming,
In my garden.

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