

Chronicle April issue

350) Opinion

353) ENTRY OF BIG PLAYERS IN INDIAN RETAIL MARKET

(This article is written by Praharsh Sharma, 2nd year Electronics. The author discusses the impact on the national economy due to entry of national and international business houses in our country's retail market. All views expressed are his own. Praharsh is also a member of Chronicle Team. Email: praharshsharmaster@gmail.com)

The good news for Indian Retail Market is that India has recently topped the AT Kearney's annual [Global Retail Development Index \(GRDI\)](#) for the third consecutive year, maintaining its position as the most attractive market for retail investment. Indian Retail Market, which is now the fifth largest retail destination in the world, is estimated to grow from US \$330 billion in 2008 to US \$427 billion by 2010 and further to US \$637 billion by 2015. Simultaneously the share of organized retail in the country, which today is just 4 percent, is estimated to climb up to 20 percent by the end of this decade. For the ill-informed, it is worth mentioning that India has 12 million (one of the largest in the world) retail outlets operating in its markets, most of which are definitely under unorganized retail.

Retail is India's largest industry, accounting for over 10 percent of the country's GDP (Gross Domestic Product) and around 8 percent of employment. Retail in India today however, is at the crossroads. It has emerged as one of the most dynamic and fast paced industries with several players entering the market. The future looks promising, the market is growing, government policies are becoming more favourable and emerging technologies are facilitating operations. The most recent matter of concern however is that, the big players like 'Reliance Retail', 'Spenser's' and 'Hypercity' are going ahead with their plans of heavy investments in the Indian Retail Market. 'Reliance Retail' plans to setup 205 stores and 'Spenser's' plan to setup 500 more stores by June 2008. 'Hypercity' plans another 250 stores in the country to come up within the next 5 years. Above all, is worth mentioning that the world giant 'Wal-Mart' has also set its eye on the Indian Retail Industry. 'Bharti Group' and 'Wal-Mart' aim to setup an equal joint venture for cash and carry business in the country.

The entry of these big players seems to be beneficial and opulent for the Indian people at the first sight, but when analyzed economically, it clearly reveals that the emerging pattern comes with more important and well pronounced drawbacks. This is because that the term 'people' includes all sections of the society as a whole – producers, manufacturers, consumers, middle tradesmen, wholesale dealers and last but far from the least – the small scale retail shopkeepers. Customers are no doubt, largely benefited in the cause. They need to bear low costs, get a world class shopping experience, witness the availability of all commodities under a common roof and need not worry about the quality of material, adulteration or piracy. Producers and manufacturing companies are again at a pleasure. The retail outlets have their own plans to open and operate in different parts of the country and abroad. So, in turn the producing companies find it easy to distribute and market their products through such retail chains. Their advertising and marketing work is eased and decreased. Apart from this, they get security in the market and new companies

find a good platform to begin. Yet, the established ones find a better than existing system of retail outsourcing. Next however comes the plight of the middle tradesmen, wholesale dealers and small scale shopkeepers constituting the country's unorganized retail. The pattern definitely puts them before a multi-dimensional loss. To start with, these people genuinely fear underemployment, and eventually unemployment i.e. the shut down of their business.

The pattern surely follows the law of nature i.e. it comes with appended pros and cons. Of worth above all, is its impact on the Indian Retail Market and as a whole on the Indian Economy. The big players in concern here are at many of the times, world established multinationals. It cannot be denied that almost the entire profit generated in the whole sequence is realized by these foreign companies and at times the Indian big players. To attract FDI (Foreign Direct Investment), the government has to relax its rules which include relaxing taxes and promising the investors, good returns in terms of the realized profits. Apart from foreign investment, the pattern largely benefits both the producers and consumers but eventually it would some day surely amount to job losses in thousands as well as thousands of small business and small scale retail shops would be forced to close. Also, the pattern more or less monopolizes the market as the existing balance of power between producers and consumers, gets shifted more towards the former. Producers would supply their goods to the retail chains instead of small tradesmen because of the resulting benefits to their pocket and security, and Indian retail would go into a few big hands which may be often foreign.

The retail chains once established prominently in the market (which largely means the decline of small scale retailers) would determine the market rules and trends i.e. the costs, product availability factor and the balance of demand and supply. In the worse case, these may be foreign insecure hands which may even resort to the marketing of foreign products in the country. The pattern would then depict the way it could prove fatal for the producers and manufacturing companies that boast of initial progress in the pattern. The existing pyramid shape of consumers today (low income group people as a whole still contribute maximum to the chunk of buying in the Indian economy) would change to diamond, that is the middle class consumers would constitute the section having the maximum buying power in the economy which means the low income consumers could another day stand deprived of essential commodities even.

It is often argued by the concerned ones that, the government can force the big players to leave a share of profit for the government itself or perhaps demand it to be distributed among the people underemployed/unemployed as a result of the pattern. But a matter of utmost realization on this subject is that most of the organized retail is carried out by MNCs (Multi-National Companies) and the entry of foreign big players is a result of relaxed FDI rules. In order to withstand competition with China, India cannot go strict with its FDI rules and neither can it force or even expect these big players to employ these men or grant them their share.

Indian organized retail however, is still one of the most booming industries on date although it comes with well declared consequences. A good event in support to this viewpoint is the recent case of 'Reliance Fresh'. Mr. Mukesh Ambani came up with the retail chain a few months back and it all began with varied kinds of promises to the farmers and small scale traders. 'Reliance' operated 15 stores in the state of U.P. alone, seeking to emulate the 'Wal-Mart' model of mega-stores in India which raised alarm among the 12 million small traders who felt for their

livelihood. This was the market response when the stores operated only in vegetable and agro based foods. The state witnessed massive demonstrations against the pattern and the plea put up by the small scale retailers to the state government was found to contain genuine concerns. Eventually, the government had to force the shutdown of excellently growing retail chain in the state. This even forced the retail chain to kick out 100 employees and it plans the exit of four times more the same number very soon. The retail initiative of 'Reliance' was without a parallel in size and spread and would have made India proud if not forced to shut down by the concerns of the economy. 'Reliance' in fact had largely geared up to revolutionize the retail industry in India and kept the promises made to its farmers. The entire country as a whole on the other hand has already started loosing to massive demonstrations against 'Wal-Mart' which is scheduled to launch its enterprise in next coming years.

The uppermost question is that, is the country environmentally and infrastructure-wise ready to embrace major investments in retail market? It is necessary to put down all the current positions of the Indian Economy together before deriving a suitable plan of action. - Street markets still dominate in India. 'Kiranas' are successfully running with the times and are holding on their own. Organized retailing is still very much a city phenomenon and the intellectuals are definitely and genuinely against the policies of the big players coming up in the pattern. Ours is a fragmented over US \$300 billion retail industry. However, anything done for the welfare of the people must also stay. In defense of the organized retail, it is important for them to focus on what they can do in terms of creating opportunities of employment and contributing to the country's GDP. MNCs look at India with its 1.2 billion people as a vast un-trapped market but **do we want to be the next country to have our cultural traditions, investor and worker rights and independence destroyed by some world giant like the 'Wal-Mart'?** That too when 'Wal-Mart' has 3000 operational stores around the world and its total revenue is more than the total revenue of Indian retail market??

Organized retail needs to involve small store owners. The success of organized retail cannot be judged by the bottom liners of the corporate. On a long term basis, one needs the involvement of masses and the creation of a win-win situation for both the parties. By 2015 organized retail will grow up to 20 percent and considering that the GDP grows at the current rate up to 9.3 percent, the million dollar question that stands unanswered is - **"Will this 20 percent have the power to help the remaining 80% of unorganized retail?"**

Towards the end the country is aggressively working on introducing a pan-India network of retail outlets in multiple formats, a world class shopping environment, state of the art technology, a seamless supply chain infrastructure, a host of unique value added services and above all, unmatched customer experience is what the initiative of these big players in Indian Retail Market is all about. 'Reliance Fresh' ensured and in fact provided better returns to farmers and manufacturers and great value for the Indian consumers, both in quantity and quality. By creating value at all levels, they actively endeavoured to contribute to India's growth in progress. Retail outlets are no doubt good since they plan to touch almost every supplies and consumer. Resource conservation is achieved apart from low costs as the retail chains have operational networks and each product does not require separate planning, transportation and management.

It has been often read and heard that there is a planned move to allow foreign companies to tap into the potentially huge Retail Market in India. But why does not the Indian government do the needful itself? If the market is as huge as experts predict it is, then why does not the government of India start public sector companies of the nature of ONGC and BHEL and harness the market itself? That way the profits can remain in India and if the GOI finds it difficult to raise the kind of cash needed to be able to take the plunge single handedly, then at the very least, it can try and set up joint ventures with foreign companies like it did in the case of Maruti-Suzuki. That way too, the country can salvage some of the profit and keep it to itself instead of watching MNCs or big players enter the market and make a mad loot out of India, the way Pepsi and McDonalds do.

It would be a shame if such a big market was left unexplored, and the entire future retail pie of India got carved up by alien multinationals. Another possible option would be to team up with some of the big Indian companies, like Tata, Birla, Ambani, Sahara and Goenka (the last already have some sort of a retail chain going) who would very well be interested and would be able to afford to chip in. This teaming however requires the control of government largely, lest the entire purpose could go waste. The end result of all the alternatives which try to prevent MNCs and private hands to carve up the coming retail market and provide this opportunity to public sector enterprises is that, **India would soon stand to home to some indigenously grown giant public sector companies** this way. Else Dadabhai Naoroji's famous 'Drain Theory' will again be vindicated, and the money of the common Indian man will end up filling pockets in foreign shores and private estates.

It is hoped and trusted that the readers will try to explore this possibility and take the trouble of contacting the people who have a say in these matters. The country can for once ill afford to let such a huge chance go by but cannot afford to leave it at the mercy of greed and decisions of big private or foreign players. After all the country did not allow foreign companies to tap into its Air traffic market or even private hands to touch its Petroleum market and where the two stand now is not a matter of different opinions. Why then, should India allow a complete '**Coca-Colonization**' of its potentially **HUGE Indian Retail market??**

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