

Achieving Inclusive Growth in India through the Globalized Food Retailing

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***Abstract:** Food Retailing is among one of the most discussed topics of current scenario all over the world. The whole world is witnessing a growth, specially the developing nations and among them India, China and Brazil has shown an enormous rate and potentials of growth in the recent decades. Here we will discuss only India's inclusive growth through the globalized Food Retailing. Though India has achieved some sort of economic growth in the post liberalization period, but still some factors are barricading the inclusive growth of India. Among these barricading factors unemployment, poverty and regional imbalance of agriculture production are the major barriers. India is having an agriculture based economy, so this is the most vital factor which we ought to discuss for the inclusive growth. The present paper aim to analyze the achieving inclusive growth through the globalized food retailing in India. It has been concluded that, there are a number of farmers who are producing a large sum of goods but they are not getting the appropriate buyers, when the big retailers will enter the market then these farmers will get the buyers in the mean time frame, as they don't have to move anywhere else to sell their products. The more noticing factor of the food retailing is that it will certainly generate some sort of employment for the educated people and their will be a slump in the number of seasonal laborers of the rural areas as they will get an employment with these retailers, because to run such a huge format of business the retailer will need skilled as well as unskilled workers also.*

INTRODUCTION

India's central government announced retail reforms for both multi-brand stores and single-brand stores in November 2011. These market reforms generated the path for retail innovation and competition for multi-brand retailers such as Wal-Mart, Carrefour and Tesco, as well as single brand majors such as IKEA, Nike, and Apple. This decision created hue and cry situation both in opposition and in support of the reforms. Due to some reasons the Government of

India put the retail reform on hold till further discussion in December 2011. "Multi Brand Retail is the type of retail in which a retailer can sell different brands and products under the same roof, such as Wal-Mart, Carrefour and Big Bazaar. While the Single Brand Retail is the type of retail in which a retailer can sell only one brand under a roof, such as Nike, IKEA, and Apple. The Government of India approved reforms for single-brand stores welcoming anyone in the world to operate in Indian retail market with 100% ownership, but in January, 2012 imposed the requirement that the single brand retailer must outsource at least 30 % of its goods from India. Indian government continues the hold on retail reforms for multi-brand stores. Although, it has been seen that almost all the countries where the Food Retailing persists have witnessed a positive change in their economic structure, infrastructure, warehousing, supply chain and the most important the employment rate has increased in a phased manner. Studies have shown that the modern retailing is offering more choice to the consumer at the same or lower price when compared to the traditional retailers (Minten, Thomas and Rimpay, 2010). It also leads to customers exercising choices and becoming more variety seeking (Sinha and Dwarika, 2005). But the foremost basic question is that what measure the Govt. of India and the foreign retailers will adopt to make the Food Retailing a major factor in India's inclusive growth.

Inclusive Growth through the Globalized Food Retailing is a challenging note, which is not as easier as it seems to be. The inclusive growth will cover almost all the areas of Indian economy and agriculture. One of the most emerging facts is that India is going through the regional imbalance in terms of agricultural production and unemployment. India is now facing a number of challenges in the field of poverty, financial crisis, as well as the environmental challenges. The population is growing with an explosive rate. To cope with the arising necessities of this growing population we have to go through the factors and aspects which can play a major role in eradicating

these challenges and ameliorating the conditions of Indian masses. Because of enormous growth potential of the Indian economy, MNC's are having prying eyes to enter the India's market. MNC's are equipped with some very impressive qualities for the business. These MNC's have huge amount of tangible and intangible funds, and they are using the latest technologies in their modus operandi. From zenith to nadir these MNC's are working very impressively to break through the traditional form of marketing or business. They are having a good supply chain network, efficient ware housing, professionalism, impressive service and finally a concrete billing structure i.e. Tax Invoice. This type of advanced form of business will help India in a lot of ways, because it will generate employment, improve infrastructural facilities and warehousing, supply chain will make a remarkable upward shift. There is no doubt that, the Globalized Food Retailing will help India to come out of these shattering problems which India is facing. But when we talk about India, the inclusive growth either through any factor or business, can only be achieve when there will be a growth in the rural and agrarian sector of India. Later in the coming chapters we will discuss that how India can achieve Inclusive Growth through the Globalized Food Retailing.

The Emerging trends/formats of modern retailing in India are as follow.

Malls: Largest form of organized retailing in India. Mainly found in metro cities and near to the urban outskirts. Its area ranges from 60,000 sq ft to 7, 00,000 sq ft and above. Examples are Shoppers Stop, Pyramid and Pantaloon.

Discount Stores: Discount stores or factory outlets mainly offers discounts on the MRP by selling the perishable and non-perishable goods on bulk.

Department Stores: These are basically large stores and cater a variety of customer's need. Its

area ranges from 20,000-50,000 sq ft. It is further classified into clothing, toys, groceries, home localized departments.

Hyper marts or Super markets: Mainly located near residential high streets. Presently these stores are contributing approximately 30% of all food and grocery organized retail sales. Supermarkets can further be classified into mini supermarkets (1,000-2,000 sq ft) and large supermarkets (3,500-5,000 sq ft). A supermarket mainly focuses on food, grocery and personal sales.

Convenience Stores: Relatively small stores which range in the area of 400-2,000 sq ft. It is also located near the residential areas. They use to stock a limited range of high-turnover convenience products. Prices are higher than usual due to convenience premium.

MBO's: These are Multi Brand Outlets and are also known as category killers. They offer several brands across a single product category.

RELEVANCE

Retail Industry in India has a huge potential. According to the Investment Commission of India, the retail sector is expected to grow almost three times of its current levels to US \$ 660 billion by 2015. India has the manpower but lacks the funds and the appropriate technical/advanced use of the resources. Obviously Food Retail will generate employment, rural sector will get involvement, infrastructure will improve and the poverty will reduce. That's while there is an instant need of investment in Food Retail to improve the conditions of the Indian people. The Indian retail industry is estimated to be US\$ 470 billion. The organized or modern retailing with 6% share stands at US\$ 26 billion (Integral University). Indian retail is expected to grow 25 per cent annually. Modern retail in India could be worth US\$ 175-200 billion by 2016. The Food Retail Industry in India dominates the shopping basket (Kastoori and Jyoti, 2007).

JOURNEY OF ORGANIZED RETAIL IN INDIA

Year	Growth	Functions
2000	First Phase	Entry, Growth, Expansion, Top line focus.
2005	Second Phase	Range, Portfolio, former options.
2008	Third Phase	End to end supply chain management, Backend operations, Technology, Process.
2011	Fourth Phase	M&A, Shakeout, Consolidation, High Investment.

Source: Ernst & Young, 2012

1. PRESENT SCENARIO OF GLOBALIZED FOOD RETAIL IN INDIA

With the growing economy the consuming pattern of the Indian consumer has also been changed. Now Indian people have become more brand conscious and they want new and fresh variety of everything especially of food. Over the past decade, the Gross Domestic Product (GDP) and per capita income has grown at an annual rate of 07 percent and 05 percent respectively. India's GDP growth rate in 2010-11 was 8.6 percent (Economic Survey of India 2010-11) and was expected to grow by 09 percent in 2011-12 (Union Budget 2011-12).

Indian consumer market holds a unique feature of both modern and traditional outlets. Traditional outlets have the benefits of closeness

and proximity to the residential areas, lower price and convenience. While the modern outlets has the benefits of fresh stocks, more variety, better services, better quality of products and exclusive designs. Neighborhood kirana stores or traditional stores are preferred for more frequently purchased products such as fresh fruits and vegetables, while modern retail outlets are preferred for more durable goods. India is expected to be the fifth-largest consumer market by 2025 after US, Japan, China and UK (McKinsey & Company 2007). This is also a major reason that the foreign retailers are eyeing on India. India ranked fourth worldwide (after Brazil, Uruguay and Chile) and first among most emerging Asian market (A.T. Kearney 2011). India has alone attracted the largest number of new retailers among the emerging and mature markets (CBRE, 2011).

PRESENT SCENARIO OF FOOD RETAIL IN INDIA:

SECTOR	ESTIMATED SIZE IN 2011
Food Retail (Modern and Traditional)	US\$ 270 billion (60% of total retail sales)
Modern Food Retail	US\$ 5.4 billion (02% of total food sales)

Source: GAIN (Global Agricultural Information Network), Report No: IN2059, Dated: April 24, 2012.

Note: The food retail market includes the retail sales of all food products, both packaged and unpackaged, as well as beverages also.

There is a surge in the number of rich and middle-income Indian consumers and a slump in the people below the poverty line after the post liberalization period. There is a rise of 12.9 percent in the middle class and the rich class by 21.4 percent between 2001 and 2010 (Shukla 2010). The change which is happening in the shopping pattern of the Indian people has given a positive signal to the retailers. Consumers are more brand conscious now than earlier. In 2007, India was ranked third most brand-conscious country after Greece and Hong Kong (AC Nielson 2008). Presently, more than 40 percent of total consumer spending is on food and the expectation is that it will decline to 25 percent by 2025, while spending on wellness and related products will increase (McKinsey & Company 2007).

PERCENTAGE OF EXPENDITURE DISTRIBUTION ACROSS PRODUCT CATEGORIES:

Products	Percentage of Total expenditure
Fresh Fruits & Vegetables	19.07
Apparel	14.82
Preserved Food and Agro products	13.08
Jewellery	10.48
Consumer Durables	8.40
FMCG Products	8.30
Furniture	6.31
Footwear	3.31
Watches	2.53
Others	13.70

Source: ICRIER, Policy Series, No-05, August 2011

2. PREVALENCE OF SECTORAL AND REGIONAL IMBALANCE IN INDIA

Although the economy of India is growing with the passage of time, but still there are regional and sectoral imbalance in India. This is a serious concern which prevails in inter-state, inter-regional & inter-sectoral areas of the country. These imbalances are putting a hazardous impact on the inclusive growth of the country. Despite high economic growth, the poverty ratio is very high in India. The overall involvement of the deprived section of the society is the need of hour. The contribution of private sector in national GDP has increased but the employment in private sector is not the same as the contribution is. While the contribution of agriculture in the national GDP has fallen but the rate of employment is still more or

less the same as of the earlier. Since a large number of populations are engaged with agriculture (directly or indirectly) so this issue can be a major hurdle for the inclusive growth of the country. The sectoral grant of finance is also not balanced; the private players and the large entrepreneurs are getting more credit facilities than the rural and farming people. If we do talk about the agricultural scenario of the India then we will find that the Green Revolution has helped only Punjab, Haryana, Western UP and some parts of Bihar (Rohtas, Kaimur, Bhojpur). Still the production in the rest of country is not higher as expected. In the Post Liberalization period Gujarat, Haryana, Goa, Uttaranchal and Kerala has grown their economy in a much higher pace than Madhya Pradesh, Jammu & Kashmir, Bihar, Uttar Pradesh and the North Eastern states.

PUBLIC AND PRIVATE INVESTMENT IN AGRICULTURE AND ALLIED SECTOR AT 2004-05 PRICES					
Year	Investment in agriculture and allied sector (Crores)			Share in Total Investment (%)	
	Total	Public	Private	Public	Private
2004-05	78848	16183	62665	20.5	79.5
2005-06	93121	19909	73211	21.4	78.6
2006-07	94400	22978	71422	24.3	75.7
2007-08	110006	23039	86967	20.9	79.1
2008-09	138597	24452	114145	17.6	82.4

Source: Central Statistical Organization 2011

Above data clearly mention that private sector's share is very high than the public sector in India.

3. THE NEED OF GLOBALIZED FOOD RETAILING IN INDIA

In the post liberalization period of India the consumer behavior has changed in terms of buying. This change in the buying behavior cemented a positive impact on the retail sector of India. The market dynamics of Indian retail industry is very different from the other countries, so it's not an easy task to operate in the Indian market for the retailers. India consists of 29 states, each having a different taste and culture. With the rapid growth of urbanization there is a blend of rural and urban people concentrated in the urban areas. This makes the retailers to work hard to meet the diversified customer's needs and demands. Retailers are offering cheaper and more SKU's to meet the customer's demand. Day by day people of India are becoming more brand conscious and they

are willing to buy different products under the same roof, this scenario has benefited the retailers. The main objective of this paper is to gain insight knowledge about the developments of modern retail from the Indian perspective.

As per the estimates of Indian Retail Report 2011, the modern retail in the next five years is expected to contribute to a minimum of one third of the market of 40 trillion. This report estimates that by the year 2016, the modern retail would have 19.3 percentage share of the total retail market (Indian Retail Report). For some leading consumer product companies, modern retailers contribute about 10% of their total sale nationally and about 20% in top 10 cities (SKBKS). The choice of customer has been increased by the intervention of modern retailing. The modern retailing has increased the product quality, better

procurement and latest technology is used by the retailers.

i) IMPROVEMENT OF SUPPLY CHAINS & LOGISTICS

For providing goods and materials to the retail outlets we need an improved and advanced version of transport and storage facilities. The retail boom will improve the cold storage infrastructure of the farmers to get the product to the market in the time. Supply chain will provide opportunities to the manufacturers, traders and the service providers. Air, road and rail transport will be benefited as the number of domestic railways and airlines has now increased their cargo services to meet the demands. The improved version of logistic and supply chain will save the produced goods which are being wasted every year in India.

The development and growth of modern retailing is connected to the lower prices resulting from the functional efficiencies in the supply chain (Minten and Reardon, 2008).

ii) URBANIZATION & EMPLOYMENT GENERATION

The organized retailing will develop world class shops and will provide employment to many professionals like real estate dealers, builders, architects, display designers, retail shop managers and workers like sales person, security personal etc. Local employment will be generated through the organized retail. An Indian mass is migrating to urban areas in search of employment; this scenario has generated an immense demand of real estate. Builders and real estate companies are providing an employment opportunity to the people.

CHANGES IN INDIA			
Urban Share Population		Average Return on Investment in Retail Real Estate	
Year	Growth Rate		
1991	26%	Tier 1 Cities	9-10%
2001	28%	Tier 2 Cities	8-9%
2011	41%	Tier 3 Cities	10-11%

Source: Ernst & Young 2012

iii) POVERTY ALLEVIATION

India accounts for one-third of the world poor, people living on less than US\$ 1.25 (about Rs 72) per day (Jim, 2013, TOI). According to 2010 data from the UNDP, an estimated 29.8 percent of Indians live below the country's national poverty line. A report by the Oxford Poverty and Human Development Initiatives states that 8 Indian states have more poor people than 26 poorest African nations combined which totals to more than 410 million poor in the poorest African countries (Jim, 2013, TOI). There are a number of unskilled workers who are only getting the seasonal employment in farming sector. Whenever there will be a penetration of organized retail in the rural and farming sector of India, it will obviously generate employment for those who are partially employed. The involvement of people in the trade will be more and more after the introduction of organized retail in the rural areas.

and the consumers of India. The overall involvement of the Indian people will increase with the certain time frame. Whenever the foreign retailers will start operating in the whole part of India, the more and more population will be benefited. The ultimate beneficiary would be the consumer; however the farmers and the small businesses will also get their improved living standard through the Globalized Food Retailing.

i) FARMERS AND RURAL POPULATION

The retail outlets will depend more on the unorganized sector of manufacturing and small units of businesses. The products of small units and rural market will get private brand equity and will be marketed across the country for their (retailers) successful in sourcing of cost-effective goods. Most of the household workers are women and children. Artisans and household providers of goods and services will be attached to the whole process by the retailers to improve their skills. By removing the intermediaries these women and children will certainly get benefited as they will get better remunerations and the living standard will also improve. Food retailing in India can change the scenario of agribusiness management. Fresh food chains and supermarket will directly procure the goods and articles from the farmers. Better

4. OPPORTUNITIES TO THE FARMERS & RURAL POPULATION, SMALL BUSINESSES AND CONSUMERS OF INDIA BY THE GLOBALIZED FOOD RETAILING

The globalized Food retailing will benefit the farmers & rural population, small businesses

seeds and fertilizers will be provided to the farmers and instead of factory owners Government subsidy will directly reach to the farmers. Biotechnology researches and labs will be developed to meet the demand for better quality of seeds and fertilizers; this will ameliorate the quality of food and agricultural items and efficiency of the farming process. The organized retail marketing will channelize large scale private investments into agriculture marketing, agriculture extension services, irrigation and infrastructure such as roads, cold storage and grain banks. The irrigation and power supply will be facilitated for the growing demand of the product funded by the MNC's.

ii) SMALL BUSINESSES

Small businesses can grow because the retail chains will provide service to a large number of shop owners visiting the malls. The organized retail can become a pillar of the Indian economy because it will not only improve the local people locally but also internationally. The international players will penetrate the rural market of India to buy the goods directly from the farmers and the artisans.

iii) CONSUMERS

Consumer will be the ultimate beneficiary of the organized retail. Consumer will get a wider range of products at cheaper prices. Because the competitions would prevail among the retailers, they will offer discount to the consumers. Online shopping and delivery system will provide comparison of product price for the consumers.

5. CHALLENGES OF GLOBALIZED FOOD RETAILING IN INDIA

Direct purchasing of food items by the retailers from the farmers has not only improved the better share of consumer spending but also reduced cost of the goods for the retailers. The modern retail has to organize the farmers into groups for the aggregate production of the goods sought; this will increase the bargaining power of the retailers as well as the farmers also. The need of basic infrastructure for sorting and cleaning of the goods produced is very necessary. There is also an urgent need to organize the retailers who are seeking the desired goods/materials and are willing to operate. Some products suffer a markup of 25-30% to maintain the cost structure, because most of the unorganized retailers buy the goods from the nearby wholesale market. While the price structure of organized sellers are generally higher than the unorganized sellers. If we believe in some data

published by the eminent organizations then the scenario is entirely different and beyond the imagination such as, "Agri-food retailing accounts for 18% of the organized retail today and is likely to have a lower share of merely 12% by 2020 (NABARD 2011)." The question arises how to cope with this type of burning situation.

6. CONCLUSION

Many things has been written about the food retailing and there are some pros and cons of this situation, but after going through the aforesaid articles and data we can come to the conclusion that through Food Retailing small retailers will make the market structure strong by innovative operational techniques. The purchasing power of the Indian people is increasing day by day; this will compensate the loss of market share of unorganized retailers. Because of stiff competition among the retailers, the consumer will certainly gain as the retailers will provide better quality of the products and the procurement method will also be more efficient. Some economists and business strategists think that the intermediaries will be displaced, but this phenomenon is not as true as it appears to be, because the intermediaries will find an employment with any organized retailers because of their knowledge and skills. There are a number of farmers who are producing a large sum of goods but they are not getting the appropriate buyers, when the big retailers will enter the market then these farmers will get the buyers in the mean time frame, as they don't have to move anywhere else to sell their products. The more noticing factor of the food retailing is that it will certainly generate some sort of employment for the educated people and their will be a slump in the number of seasonal laborers of the rural areas as they will get an employment with these retailers, because to run such a huge format of business the retailer will need skilled as well as unskilled workers also. Finally there would be no harm to the unorganized retailers. Indian culture is very diversified so both the organized and unorganized retailers will exist simultaneously.

7. RECOMMENDATION

There is a need to regulate the organized retail in a proper way by the DIPP (Department of Policy and Promotion) to maintain a proper system of purchasing and selling by the retailers. Improvement of basic infrastructure facilities in rural areas to keep the food grains in good condition is needed, because the wastage is very high in India. Several lakhs of tonnes of potato,

tomato and mango get wasted because of improper storage. The condition of unorganized trade is haphazard, so there is a need to improve their condition by proper financial assistance and better Government policies. The wholesale market of India is also not properly organized; the retailers and the Govt. of India have to look after their issues to improve their condition so that they can provide better services to the people and to the retailers. Farmer's conditions should be improved by the programs and channels being run by the Govt. of India and they must have a soft corner for the farmers to procure their goods and to avoid monopolistic competition.

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