

Retail Dude: Interview

Case: Ram Das Mohan Lal Maheshwari, Hapur

Here's the big question which all the traditional store owners are brooding over. Is the modern retail going to drive away the traditional retail in India? Will all the kirana stores around us be washed away with advent of organized stores? In order to solve this puzzle, we interviewed, Madhav Maheshwari, owner Ram Das Mohan Lal Maheshwari, located in Hapur. RDMLM is a well established brand in ethnic wear retail segment in the NCR region catering to natives of Hapur as well as surrounding villages. Madhav was happy to provide inputs on various issues that face the traditional retailers in a dynamic market. Here are some excerpts from the interview.

Q1. What factors do you attribute to the advent of Retail? In an economy such as ours what role does it play?

Answer: - One of the principal reasons behind the explosion of retail outlets and its fragmented nature in the country is the fact that retailing is probably the primary form of disguised unemployment/underemployment in the country. Given the already overcrowded agriculture sector, and the stagnating manufacturing sector, and the hard nature and relatively low wages of jobs in both, many million Indians are virtually forced into the services sector.

In India, given the lack of opportunities, it becomes almost a natural decision for an individual to set up a small shop or store, depending on his or her means and capital. And thus, a retailer is born, seemingly out of circumstance rather than choice. This phenomenon quite aptly explains the millions of small shops and vendors. The explosion of retail outlets in the more busy streets of Indian villages and towns is a visible testimony of this.... Yet, even this does not annul the fact that a multitude of these so-called 'self-employed' retailers are simply trying to scrape together a living, in the face of limited opportunities for employment. In this light, one could brand this sector as one of 'forced employment', where the retailer is pushed into it, purely because of the paucity of opportunities in other sectors.



RDMLM Store Hapur

Q2. How do you rate the success of organized retail so far in the Indian market?

Answer: - Recently organized retailing have flooded the major cities in India. Even as we speak many semi-urban areas also witnessing entry of such organized retail outlets.

Organised retailing has definitely made headway in the upper class. However, even in this segment, items such as milk, fruits, vegetables and a significant portion of 'through-the-month' purchases seem to be done at traditional outlets. The middle income class prefer shopping for processed food and personal care in supermarkets and fall back on traditional outlets for bulk shopping. Organised retail outlets seem to be associated with branded items/special purchases. Organised retailing does not seem to have made an impact on the lower class, except for 'curiosity' shopping. There may be initial hiccups for the large players in getting the sourcing and the supply chain to work smoothly but sooner or later, the economies of an efficient supply system will give the modern retailers a distinct edge over the unorganised, small ones.

Q3. What have been the major drivers for this change?

Answer: - The current retailing revolution has been provided an impetus from multiple sources. These 'revolutionaries' include many conventional stores upgrading themselves to modern retailing, companies in competitive environments entering the market directly to ensure exclusive visibility for their products and professional chain stores coming up to meet the need of the manufacturers who do not fall into either of the above categories. Attractiveness, accessibility and affordability seem to be the key offerings of the retailing chain. Relatively large, clean, modern shops will certainly find more favour from the young, upwardly mobile middle class India than the dusty, cramped traditional stores.



Proud to be closer to the masses

Increasing purchasing power, a variety of other factors also seem to fuel the retailing boom. With increase in double-income households and working women, there is an increasing pressure on time with very little time being available for leisure. In this scenario, consumers are seeking the convenience of one-stop shopping, whereby they could have better utility of time. They are also seeking speed and efficiency in processing, as a result.

Being more aware, consumers are on the look-out for more information, better quality and hygiene as well as increased customer service. These changes in consumer behavior also augur well for the retailing industry.

Q4. How has introduction of modern retailers made an impact on the way business is done by traditional stores?

Answer: - It is no surprise that the traditional retailers are alarmed and worried if they can survive in the wake of rapidly advancing overwhelming modern retail force. On the face of it, many have good reasons to be so. Wider/better assortment will indeed be a major enticement for tens of millions of shoppers who are now willing to experiment more by trying new products.

The traditional retailers, by introducing self-service formats as well as value-added services such as credit and home delivery, have tried to redefine themselves. Though, a large chunk of the society is yet to feel the impact of organized retailing. There are two primary reasons for this. First, the urban market is far from saturation and has, therefore, probably venturing into other markets is still distant. Second, the modern retailing trend, despite its cost-effectiveness, has come to be identified with lifestyles.

Q5. In your view, what impact would opening up of FDI have on small/local retailers?

Answer:- In a recent step by the government, FDI norms have been altered to allow 51 per cent FDI in single-brand retail, subsequently the prospects of foreign players entering India would become high.

At a time when organized retail in India is growing at a fast pace anyway and there is no dearth of indigenous capital, the entry of foreign capital which would accelerate the concentration of business in organized retail causing job loss at a massive scale is unwarranted.

Q7. What is the edge with traditional retailers over and above what the modern retail can offer?

Answer: - The need for convenience for all segments of Indian consumers is increasing faster than what most in the consumer products industries anticipate.

The traditional stores can very easily leverage this trend (of being able to shop more in a stipulated time) to their own advantage and to the very palpable delight of their current customers, who may initially be tempted to check out some of the large, modern stores located some distance away but will generally revert (for product categories other than consumer electronics, durables, furniture and some minor ones) to the neighbourhood ones even if it means paying a small price premium for the same since the trade-off of this price premium will be with an even more premium commodity, i.e. their time.

Q8. And, on the flip side what do you think are the disadvantages with the organized players?

Answer: - Though there are positive outcomes of modern retail, with the most important one being the better price realization potential for the farmer and the price-inflation dampening effect for the hundreds of millions of lower and middle income consumers. But, organized retailing has its own set of challenges:

- a) While land prices have soared, the rentals have become exorbitant.
- b) Poor slotting means having to peddle perfume right next to a smelly pizza hut !
- c) Footfalls do not always mean customers. It's the A/c indoors that they are after.
- d) Local vendor means easy, informal access. Housewife needn't even change or put on footwear or spend Rs.25/- by rickshaw to buy vegetable for Rs.50/-
- e) In our class based society, I don't see a maid buying her grocery in the same store as her employer.
- f) The most important factor is the credit which is easily accessible with traditional stores for their customers.

Q9. Looking from a consumer point of view, do you think smaller towns are ready for organized retail?

Answer: - India is one of the largest emerging markets, with a population of over one billion. Around 70 per cent of the total households in India (188 million) reside in the rural areas, where mostly traditional retail outlets, commonly called kirana stores and small shops exist. These are unorganized, operated by single person and runs on the basis of consumer familiarity with the owner. As organized retail begins to take root in India, the tussle between it and small stores has taken on a new pitch: Companies operating modern retail stores claim they offer wider choice and cheaper prices. This has forced smaller shops to innovate and get competitive with pricing to keep their traditional customers.



Feels of a Kirana Store at Big Bazaar

Q10. Some say that we have seen only a fraction of what the retail sector can unfold in the future. Do you agree?

Answer: - The single most important evolution that took place along with the retailing revolution was the rise and fall of the dotcom companies. A sudden concept of `non-store' shopping emerged, which threatened to take away the potential of the store. More importantly, the very nature of the customer segment being addressed was almost the same. The computer-savvy individual was also a sub-segment

of the `store' frequenting traffic.

Even though the target market for the direct market industry is limited, I do not think it would deter the retailers too much. For all the convenience that it offers, electronic retailing does not suit products where `look and see' attributes are of importance, as in apparel, or where the value is very high, such as jewellery, or where the performance has to be tested, as of consumer durables. The most critical issue in electronic retailing, especially in a country such as ours, relates to payments and the various security issues involved.

- Vivin Wason

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