

I must admit to being biased, since I began my career working for a retailer. But in my view retailing is the business that has the most rapid, most visible and deepest impact on economic development and growth.

**HIGH VISIBILITY**

Retailing is the latest buzzword among Indian businesses. This newest "fad" is getting a lot of high visibility media coverage. Dynamic, young people as well as blue-chip companies are suddenly taking pride in calling themselves "shopkeepers". Suddenly, this profession is able to attract the cream of talent from our management institutes.

people, while others interact only with the people involved in companies that they do business with.

On the other hand, each and every one of us is impacted by the retail business in our daily lives when we buy or barter goods and services for taking care of our basic or discretionary needs. Whether we buy vegetables from a seller's basket in front of our house, bangles from a stall at a "mela", a designer shirt from a new department store in town, a fitness machine from a TV shopping channel, or the latest bestseller from an Internet book retailer, we are being impacted by the retail business.

In India, according to various census figures, there are over

**RETAIL: AN ENGINE FOR ECONOMIC GROWTH**

BY DEVANGSHU DUTTA



But even without daily write-ups in the press, developments and changes in retailing are bound to get noticed because they intimately and directly touch each one of us, regardless of our age, class or profession.

Not everyone sees the inside of a steel mill, or withdraws money from a bank, or roams in a farm planted with crops, or flicks a switch to draw electricity, or even turns on a tap to receive water from a water supply agency. Some of these industries and businesses interact with a larger number of

5 million retail outlets of all shapes and sizes. Add to that travelling salespeople, temporary kiosks and stalls (such as in melas or during festivals), catalogues and mail order, TV shopping, and other forms of retailing. The retail stores alone employ an estimated 8 per cent of the working population in the country. Retailing is also estimated to generate about Rs. 13.5 trillion (or more) worth of consumer spending. And this activity has as its consumers the entire 1-billion people in the country. How's that for economic impact?

## RAPID AND DEEP IMPACT

Depending on the sophistication of the retail organisation being created, a retail business can be developed within a time frame of a few hours to a few months. Consider this: when it rains in New York, within a few minutes hawkers can be seen to appear on the street from nowhere, making money by selling umbrellas to people who have been caught out in the rain unexpectedly. On the other hand, when a company aims to set up a new retail business or enter a new market, it can do so in 12-24 months from conceiving the idea, through carrying out market and feasibility studies, arranging approvals and funding, building the organisation and infrastructure, selecting suppliers and products, to the final launch of its stores. In either case, its impact is felt quickly, and the impact is also amplified and distributed through a network of businesses associated with it.

Further, after a retailer commences business, there is an immediate impact on its neighbourhood, may be even a whole town, certainly on its employees and customers and its suppliers too.

Even in a relatively closed economy such as India, where some industries can be dominated by a few manufacturers, the consumer and the retailer who is in direct contact with the consumer, drive the development and growth or the decline of a market.



Consider Shopper's Stop and Lifestyle, which in a short span of a few years, have begun influencing the sophistication levels in service, ambience and product, and have raised customer expectation to new levels. Consider McDonalds which re-defined speed, convenience, even entertainment, and also created a completely new supply chain that leapfrogs many infrastructure constraints that businesses traditionally face in India. Consider Giant, Subhiksha and Big Bazaar, which are re-creating the value of low price, which is so dear to our hearts in India. Many other such retail pioneers have come into being in the last few years.

As these retailers become prominent in size as well as in

opinion leadership, their new and often more sophisticated business processes influence their suppliers to change as well, and these developments do also spread out further among the chain and networks of the supplier's associates as well.

Let us take an example. If a retail chain wants to be successful, it must ensure that the quality of its merchandise is consistent across all its stores in the country. If it does not ensure this consistency, the customer would be confused about the positioning of the store and the retailer's credibility would be severely damaged. So the retailer creates a common set of standards, and sets up a system of checks and balances to ensure that its suppliers of different products understand and comply with the standards. To comply with these standards, the supplier must re-orient their working methods and processes. These, in turn, have a beneficial impact on the supplier's own suppliers, as well as its other customers. If the manufacturer also exports as many do, in addition to supplying the domestic market, then the improved processes will surely have a beneficial impact on his standing with international buyers as well.

A similar chain of cause and effect is created when an organised retailer sets up a logistics and distribution system that enables it to move or store products more effectively.

Not only that, efficient logistics management prevents needless movement of goods vehicles transferring products back and forth, and also frees up storage space for other,

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possibly more productive use. Again, the learning from these improved systems is applied to suppliers' businesses, and that frequently has a spill-over effect into other supplier-retailer relationships as well, taking away unnecessary costs from the supply chain, and improving the overall economic viability and prospects of growth.

Consider another aspect: notably the generation of employment and new skill sets. An organised retailer generates higher skill employment opportunities, within its stores and in its support functions such as operational management, buying, merchandising, information technology, logistics etc. For example, one department store or hypermarket can generate as many as 100-200 jobs in terms of direct employment. Not only that, since retailing has not existed as an organised industry so far in

India, many of these retailers are also setting up their own in-house training programmes and even training institutes that can serve to upgrade the skills and knowledge base of potential recruits, are springing up. While some of the recruits continue employment with these retailers, others join other employers, carrying with them highly practical and useful technical and business skills.

Retailers create these changes and developments, but the benefits are felt much more widely. The increased effectiveness of the retailer and its associates creates a deep and lasting impact, and a positive cycle of economic development.

### CREATING AND NURTURING THE GROWTH ENGINE

For tapping into this engine of growth and stimulating economic growth, planning is the key. Due to its widespread impact, retail needs to be treated as "infrastructure" - like other infrastructure sectors such as power, water or housing, lack of planning can act as a severe constraint, while unplanned and unguided growth can cause social, cultural and environmental damage.

Whatever be one's calling in life, no one can afford to view retail as a non-priority sector. Consider the nightmare scenario that is unfolding in various cities and towns in the country: what was previously a quiet enclave of middle class houses becomes steadily commercialised, as people begin opening shops. As a few shops start becoming successful, increasing traffic of customers is drawn in, crowding up the locality, both due to people as well as due to the vehicles that need parking.



**As shops become successful they start to run out of space and begin encroaching on the pavement and the road. A 100-foot wide road might be reduced to a mere 25-feet with encroachments on both sides, and parking.**

Traffic jams begin to occur regularly, stress and noise levels rise. Sanitation gets adversely affected. As the shops put a heavy load on power supply, due to lighting, signage and air-conditioning, the local power infrastructure that was inadequate even earlier, begins to crumble. Local sub-stations regularly blow out, and the shops get around the problem by using generators, often placed just outside on the pavement, which contribute further to air pollution and noise. Is this not something that you have seen frequently when you have walked through any of India's busiest markets?

In India, as in many other countries, retailing is widely dismissed as a petty "merchant" activity, and a low-priority area in policy-making circles. Organised retailing is seen as a consumerist luxury. I would argue, on the other hand, that retailing needs to be viewed as an essential infrastructure for day-to-day existence. We need to put retailing on the list of basic social, cultural and community activities. I quote from the Docklands Joint Committee's Strategic Plan of 1976 (UK): "Shopping is the one community activity which everybody joins in. Local shops have an important social role...In a new [civic] development, the close association of shops and other community services also mean that the new community have an active focus where people meet deliberately or by chance."

Our own civic authorities acknowledge this occasionally in a desultory manner when they plan into their townships the so-called "community and shopping centres". A well-structured policy, however, needs to be created for retailing, in which the national and local authorities, as well as developers need to account for the social, economic, architectural and environmental impact of any new retail developments, evaluating immediate as well as the future impact.

Another paper authored by Sir Leslie Porter printed in The Municipal Review (UK) commented on the migration of population out of central city areas by stating: "...shopping can play an important social role without which migration tends to accelerate due to mounting discontent with the quality of service environment. This accepted, the creation of attractive facilities, including shopping, could help to check migration and regenerate social confidence in urban stress areas."

We already see reasonably advanced signs of "suburbanisation" in our major cities, where urbanites are choosing increasingly to take up residence on the outskirts of the city and city centres are deteriorating as social and community places, both phenomena feeding back in a vicious cycle.

There is a need for the joint participation of and contribution from many groups in the planning process: civic authorities, architects, civil engineers and citizens

certainly, but also that of large companies that are increasingly looking at retailing as a growth sector for investment. This should include real estate developers as well as those companies that will actually set up and run the shops. There is a great amount of talent in the private sector that can and should be applied to solving the existing problems, with a very firm focus on developments likely even 20-30 years in the future. At a time when our city planners are all looking to re-invent their respective cities as "world-cities" and new metropolises, this is an area, which must not be ignored.

There is one other set of participants that can and should be encouraged, if we can get over ideological hurdles: international retailers. International retailers are certainly interested in participating in the growth of the Indian market. Rather than dismiss them as "exploiters" and "mere traders", let us use their expertise and knowledge to develop our own management and planning expertise.



Consider this: in a poor country like India, about 60 per cent of food quality is lost in the supply chain from the farm to the final consumer. Consumers actually end up paying approximately about 35 per cent more than what they could be paying if the supply chain was improved, because of wastage as well as multiple margins in the current supply structure. The farmer in India gets around 30 per cent of what the consumer pays at the retail store. Compare this with the situation obtaining in the USA, where farmers can receive up to 70 per cent of the final retail price, and wastage levels are as low as 4-6 per cent. One can easily imagine the benefits that could be generated from emulating those practices and tapping that expertise for the supply chain in India.

Also, when an international retailer enters India, apart from import barriers, production costs and logistical hurdles also do push him towards sourcing most of the product needs from within India. This has an immediate benefit in terms of up gradation of manufacturing and supply capabilities, and as this happens, increasing export of those products to other markets becomes feasible. As a senior executive in one of the largest global retailers exclaimed to me in a conversation 4 years ago, "One has to be crazy to set up a retail business in India and not use India's enormous supply capabilities!" This is a reality that government authorities have completely missed, despite their constant drive towards "export-orientation"!

I am not arguing for even a moment that all retailing in India will or should become large and corporate in nature. Nor do I imagine that such organisation needs to only come from overseas. It would be foolhardy to suggest that small retailers have no real place in the development of the economy. There is room, indeed there is a need, for different forms of retailing to exist to serve the variety of different needs in our economy and society. However, supportive planning must be taken to a completely different level from now. We must provide retailers necessary incentive to improve their overall standards and practices, recognising retailing as an industry - that also means encouraging large companies with large investments, who will be able to bring new methods of working into the market much more quickly.

Given due attention, and supported by a planning and policy infrastructure, organised retailing could become the unexpected source of widespread economic benefit for the country. The question is: will we all, in our roles as business managers, or as part of the civic planning and authorisation process, rise to the challenge?

Not to do so would be a disservice to ourselves as citizens and as customers.



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