Supermarkets will be a very successful model for India

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Despite liberalisation in the consumer goods industry, organised retail industry has only 2 per cent share of the retail market in India, while e-tailing is yet to take off. What future do you see in retailing and e-tailing in India?

De Nirmalya Kumar, a professor of marketing and e-commerce at the International Institute of Management Development (IIMD), Lausanne, Switzerland, has worked as a consultant and as a marketing, branding, e-commerce, distribution and retailing with more than 35 Fortune 500 companies in 25 different countries. More recently, he has worked with several Internet start-ups, especially e-tailing companies and has written cases on Amazon.com, EasyEverything.com, Homestead.com, EasyBecare.com as well as music and grocery retailing on the Internet.

Dr Kumar was in the country recently to give his periodic interface and training session with the retail-chains of KVP group - Foodworld, Health & Glow and Moksha. In an exclusive interview with Pundit Raj Singh, Dr Kumar talked about retailing and e-retailing in India. Excerpts:

Despite liberalisation in the consumer goods industry, organised retail industry has only 2 per cent share of the retail market in India, while e-tailing is yet to take off. What future do you see in retailing and e-tailing in India?

The future of organised retailing in India is very promising, especially supermarket-chains, ‘pick-up and drop-off’ convenience stores at petrol pumps like video rental, dry cleaning and ATM banking—all these are expected to mushroom all over the country. It will grow to at least 5 per cent of the market by 2005. However, e-tailing is not yet commercially viable in the country. The Asian customer, especially in India and China, has just discovered shopping and considers it “fun”, other than “store or problem” as it is perceived in the West. On the flipside, delivery costs and labour in India is much lower, but that, we have different set of challenges here, including very low penetration of internet and credit cards. So, 3 to 2 per cent of the retail is the retailing in the country.

What is the ideal retail model you would suggest for India?

Supermarkets will be very successful in India, while convenience stores like ‘Subhiksha’ in Chennai are already giving the corner kirana a run for their money. Also, there is a lot of opportunity for specialty stores. You do not need too many of these stores to break-even, however, there’s not much scope of expansion in this category.

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What type of products can be e-tailed and what cannot be sold on the Net?

E-tailing will work better for digital products like software, books, music, movies, music, information, etc., but it is difficult to sell food and fresh products, as food and fresh products require delivery, which makes it difficult to deliver at the right time, whereas e-tailing can be made viable by selling low volume and high price products like PCs online.

How can one build brand loyalty on the Net?

It is important to increase stickiness of content and switching costs for the online customer. Personalise your homepage, make personal profiles and tell the customer that if you buy somewhere else, we cannot make recommendations to you like Amazon.com does.