

# Supermarkets will be a very successful model for India

Publisher: The Financial Express

Year: 2001

e-TAILING • SALES • BEST PRACTICES • ADVERT

## 'Supermarkets will be a very successful model for India'

### RETAILING

**D**r Nirmalya Kumar, a professor of marketing and e-commerce at the International Institute of Management Development (IMD), Lausanne, Switzerland, has worked as a consultant and coach on 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, Homewarehouse.com, EasyRentacar.com as well as music and grocery retailing on the Internet.

Dr Kumar was in the country recently for his periodic interface and training session with the retail-chains of RPG group - Foodworld, Health & Glow and Music World. In an exclusive interview with Padmaja Shastri, Dr Kumar talked about various issues on retailing in India. Excerpts:

**Despite liberalisation in the consumer goods industry, organised retail industry has only two 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 bunks 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", rather than a "chore or a problem" as it is perceived in the West. On the flipside, delivery costs and labour in India is much lower. But, we have a different set of challenges here, including very low penetration of Internet and credit cards. So, B2C may be just five per cent of the total 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 kiranas a run for their money. Also, there is a lot of opportunity for speciality stores. You do not need too many of these stores to break-even; however, there's not much scope of expansion in this category.



**EF E** INTERVIEW  
**NIRMALYA KUMAR**  
Prof marketing & e-com, IMD, Lausanne

**Despite accounting for over 10 per cent of the GDP at \$180 billion sales, retail is not recognised as an economic driver by the government. What are the other roadblocks in the development of organised retailing in India?**

Lack of good real estate, very expensive working capital and little retail competence are the main problem areas. When retail grows from a 'mom and pop shop' to a corporate entity of around 100 stores, the challenges are different and require professional training and a change in attitude. Most business schools in India do not even have retail specialisation, while management graduates do not consider 'retail' as an exciting and glamorous career option. Also, there are no national standards in the Indian retail market — something highly automated like bar-coding is different from retailer to retailer. So, the challenges are to keep prices competitive, improve service levels like faster check-out, more selection with less inventory and getting scale quickly. You need to go to 100-200 stores to break-even and start making profits.

**You have written extensively about the retailer-manufacturer relationship. Do you think a**

**change is necessary in the attitude of the manufacturers in India?**

Overseas, especially the West, the manufacturers' attitude has undergone a sea-change in the last 20 years. However, in India the manufacturers have had a history of arrogant attitude towards retailers and don't consider them important. They need to change their business processes as well as attitude to work closely with the retailers for joint promotions, etc. Also, manufacturers should realise that 'fill rate' (the percentage of products delivered correctly out of those ordered by the retailer) is as important as building brands. And retailers should stop being complacent—60 per cent of the retailers in India accept whatever they are given without protesting.

**Most online grocery stores in the west, including Netgrocer.com, TescoDirect.com and Webvan.com are either very expensive or are not scalable. What can the Indian e-tailers learn from these models?**

Nobody in the world has found a workable model for grocery e-tailing yet. It's best for Indian grocery e-tailers to wait for them to perfect a model and then adapt it to Indian conditions, unless they want to burn their fingers experimenting.

**With Internet, the 'search cost' for the customer has come down and he is better informed. How can retailers help customers buy in the changed scenario, especially if their prices are higher?**

If a retailer charges more, he should have a very good reason for that—be it better service, better ambience or more help etc. Otherwise, he is on his way out.

**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 airline tickets, banking services, stock quotes, while physical products like clothes, shoes, televisions where 'touch-and-feel' factor is involved will be difficult to sell online. So will be things where delivery time is critical like fresh vegetables/fruits/flowers etc. 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 create stickiness of content and switching costs for the online customer—personalise home page, make personal portfolios and tell the customer that if you buy somewhere else, we cannot make recommendations to you like Amazon.com does.