



THE RURAL RETAILER

He's still the key link in the long and fragmented supply chain

THE FRIENDLY PANWALLAH

The kiosks have done a wonderful job of taking the sachet revolution to the masses



Trade Tectonics

BY PRASHANT SINGH



HOWEVER FAST MODERN RETAIL MAY develop, it still can't replace the nine million neighbourhood stores that dominate retail in India. Even by 2010, they will dominate close to 90 per cent of the markets. Last year alone, almost 5,00,000 new stores opened to sell FMCG. But monthly turnover for the traditional trade has remained constant between 1998 and 2004. In real terms (minus inflation) the average store turnover for this category has got eroded by 20 per cent. The *pan-biri* store, which has done a wonderful job of reaching the masses with sachets, has maintained its share of FMCG. This channel has seen a growth of about 50 per cent in numbers since 1998, reaching a count of 14 lakh.

Despite such increase in the numbers, their throughput has come down. The monthly turnover from the traditional trade has gone down drastically in the towns where modern trade has developed. Hyderabad, Vizag and Kochi are some examples. Stores contributing to more than 8 per cent of FMCG in metros have started providing "home delivery" to their customers. Another set contributing 12 per cent of sales are capable of doing so. Therefore, trade schemes, retailer margins and CRM for retailers are likely to gain importance in the traditional trade.

The writer is Senior Manager (Modelling & Analytics) at ACNielsen and author of the report.

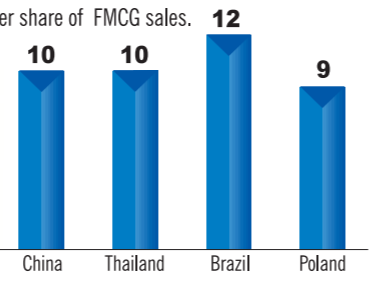
A RETAIL LAGGARD...

In other emerging economies, modern retail has a higher share of FMCG sales.

India

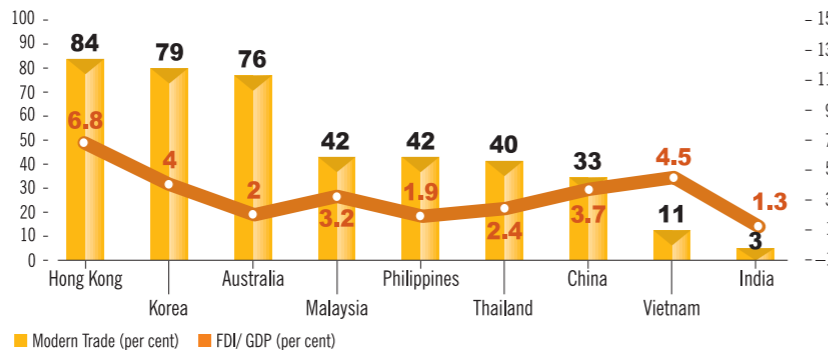
- Reforms in retail moving at a slow pace
- Legislation is the primary barrier to growth in organised retailing
- Given that the first chain started operations in 1996, modern trade should have been at 30 per cent of FMCG in 2006

Figures indicate years to reach 20-30 per cent



...NOT SURPRISING AT ALL

India's FDI in retail is the lowest in Asia-Pacific.



INEVITABLE GROWTH

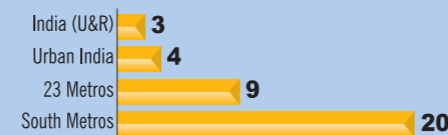
Despite regulatory hurdles, modern retail will account for 10 per cent of FMCG sales by 2010.

India 2010

- More than 5,500 modern trade stores
- Account for 10 per cent of India FMCG
- 30 per cent of metro FMCG

SOUTHERN BIAS

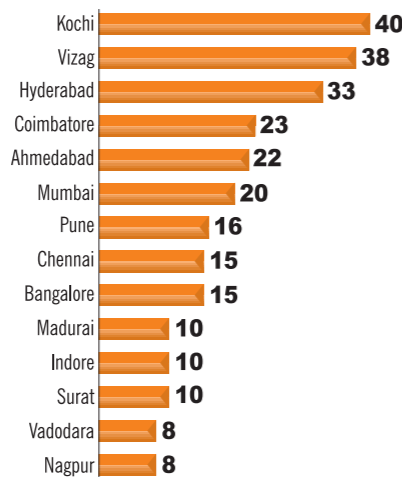
Modern trade in FMCG booms in southern metros.



Figures are shares in per cent

NORTH BY SOUTH-WEST

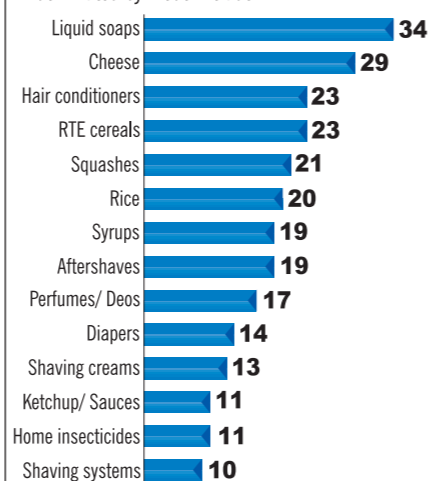
Some cities have taken to modern retail faster.



Figures are value contribution to FMCG in per cent

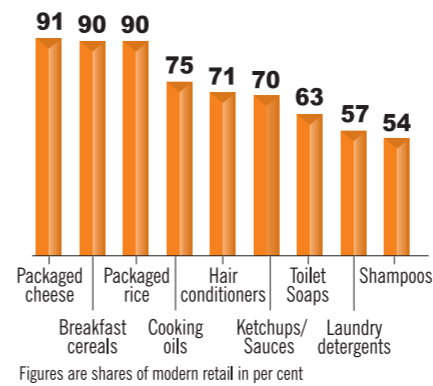
SAY CHEESE

Liquid soaps and cheese are some categories dominated by modern trade.



MIRRORING ASIA-PACIFIC

The trend in India is in tune with other countries in the region.



Figures are shares of modern retail in per cent

KIOSK TROUBLES

Kiosk numbers are up since 1998, but marketers need to reach 50 per cent more to maintain sales.



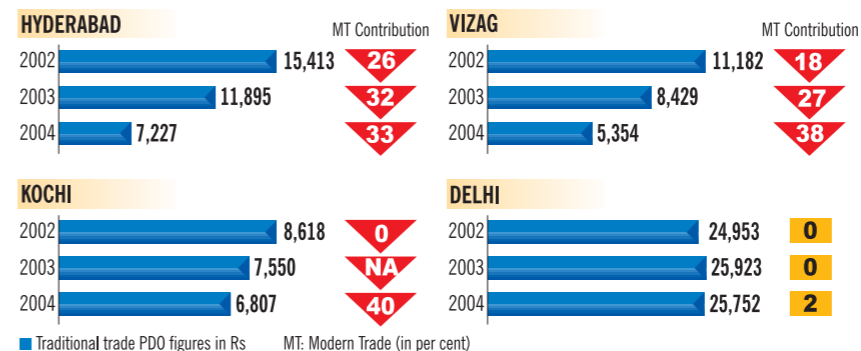
SHOEBOX RETAILING

Majority of the stores in rural India are less than 100 sq ft big.

Shop Area	Stores (%)		Turnover (%)	
	1999	2004	1999	2004
Above Rs 10,000	45	38	81	73
Rs 5,000 to 10,000	29	29	14	17
Upto Rs 5,000	26	33	6	10
TOTAL	100	100	100	100
Shop Area				
Above 200 sq ft	5	3	13	10
100-200 sq ft	23	17	34	29
Upto 100 sq ft	72	80	53	61
TOTAL	100	100	100	100

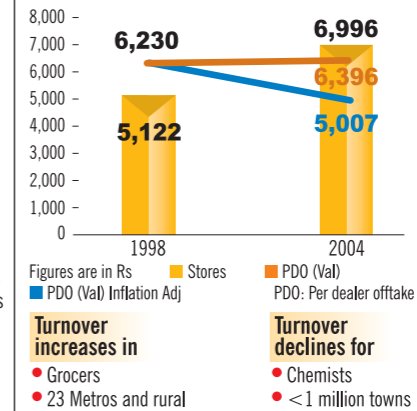
GETTING ORGANISED

Modern trade is affecting sales of traditional stores.



GETTING FRAGMENTED

The traditional store count is growing, but not revenues.



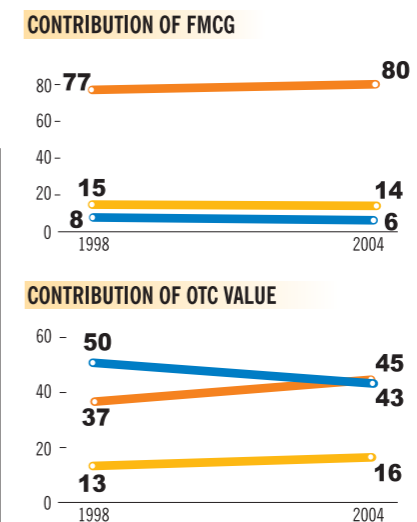
Figures are in Rs
 ■ Stores
 ■ PDO (Va)
 ■ PDO (Va) Inflation Adj
 ■ PDO: Per dealer offtake

Turnover increases in:
 • Grocers
 • 23 Metros and rural

Turnover declines for:
 • Chemists
 • <1 million towns

BITTER PILL

Chemists are losing OTC business to grocers and general stores.



Figures are in per cent
 ■ Chemist
 ■ Grocery + GenStore
 ■ Others

Small-town mall/ Jalandhar:
 Small towns will be among the early adopters of modern retail



Vitan/ Chennai:
 Southern metros lead the adoption of modern trade



Traditional mom-n-pop store/ Delhi:
 In the capital, they seem to have withstood competition from modern trade

