

AN ANALYTICAL STUDY OF FOOD AND GROCERY SEGMENT OF INDIAN ORGANISED RETAILING INDUSTRY

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ABSTRACT

In any country of the world Retailing Industry is constituted by two segments like Organized Retailing Industry and Unorganized Retailing Industry and both the segments performing well. In developed countries like the USA, Canada, France, and Britain Organized Retail segment dominates the total retailing Industry where as in developing countries like India, Pakistan, Sri Lanka Unorganized Retailing segment dominates Total Retailing Industry of the country. In any country retailing industry contributes lots to the economic development by offering business opportunities to the businessmen, providing direct and indirect employment opportunities to the people and better products and services to the customers. The contribution of both the segments differs from country to country. In India, there is the coexistence of Organized and Unorganized segments of Retailing Industry. At present, the share of organized retailing segment of Indian retailing industry is approximately 5% but it has been increasing gradually and it is estimated that the market share of organized retailing segment will be 24 % in 2020. In the paper, the researcher has tried to analyze Food and Grocery segment of Indian Organized Retailing Industry which includes the market size & growth, market segmentation, SWOT Analysis and some key players of the segment.

KEYWORDS: *Organized Retailing Segment, Unorganized Retailing Segment, Food & Grocery Segment.*

Introduction

All over the world retailing industry is gaining the attention of government, researchers, academicians and policy makers. For any country, Retailing is a distinct, diverse and dynamic sector which is of huge economic significance to most developed nations. It generates revenue and wealth for the nation, encourages investments and brings technological advancements. It also offers employment opportunities and creates a wealth of the economy and vibrant part of our changing society and a major source of employment for a variety of people in the society. Retailing is undergoing a change with the rise of super markets. Retailing Industry is divided into two sectors: Organized Retailing Sector and Unorganized Retailing Sector.

- **Organized Retailers:** Organized Traders/Retailers are those who are licensed for doing trading activities and registered to pay different taxes to the government.
- **Unorganized Retailers:** Unorganized Retailers are those consisting of unauthorized small shops- conventional Kirana shops, general stores, corner shops among various other small retail outlets selling different items in small quantity, normally not paying tax to the government and majority of them are managed or controlled by the local government authorities. The following table shows percentage share of an organized and unorganized segment of Indian Retailing Industry:

Year	Organized Retail Market (Shopping Malls)	Traditional Retail Market (Nearby Grocery Shops)
2005	3.6	96.4
2007	4.1	95.9
2010	5.0	95.0
2012	8.0	92.0
2020E	24.0	76.0

E - Expected

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Significant Global Positioning of Indian Retail Sector

- India is among the highest in the world in terms of per capita retail store availability. India's strong growth fundamentals, along with increased urbanization & consumerism, offer immense scope for retail expansion for foreign players.
- With the allowance of 100 per cent, FDI in single brand retail investor sentiment will get further push.
- The rapid emergence of organized retail outlets, like mega malls & hypermarkets, are augmenting the growth of organized retail in India. Retailers have made dynamic changes in supply chain & logistics for competitive advantage & meeting demands.
- In June 2016, Amazon Inc. has announced to invest an additional USD3 billion in India operations, thereby reaching investment to over US\$ 5 billion.
- In 2016, Amazon witnessed the growth of 160 per cent in the seller base, over 2015, and attracted 1,40,000 sellers in India.
- In May 2016, Aditya Birla Fashion & Retail Limited (ABFRL) announced to acquire exclusive online & offline rights of Forever 21, an American fast fashion brand, in the Indian market.
- In October 2016, CapitaLand, a listed company in Singapore, announced plans to open 2 more malls in India by the end of 2019.
- World's largest private equity manager, Blackstone Group, entered India's retailing sector by setting up a fully owned subsidiary, Nexus Malls. The new entity will own and manage shopping centers in the country.
- Diageo, world's largest spirits maker plan to open a new business services center in Bengaluru & give employment to 1,000 people, by end of 2017.
- British brand 'Marks & Spencer' plans to open 10 new stores annually, under its joint venture business with Reliance Retail by 2017.
- With an investment of USD 148.74 million, Amway India plans to open 50 retail stores in the country by 2018, for enhancing direct & online sales of its products.
- Various established brands have started their expansion in East India, namely in cities of Bihar, Orissa, Assam & Jharkhand, thereby increasing the retail space supply from 3 million in 2014 to 5.5 million square feet in 2016.
- India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk, and moderate political risk.
- In FDI Confidence Index, India ranks ninth (after United States, China, Canada, Germany, UK, Japan, Australia and France).
- India's net retail sales are quite significant among emerging and developed nations; the country is ranked third (after China and Brazil).
- Overall, given its high growth potential, India compares favorably with global peers among foreign investors.
- Online retail business is the next generation format which has a high potential for growth in the near future. After conquering physical stores, retailers are now foraying into the domain of e-retailing.
- E-commerce is expected to be the next major area supporting retail growth in India. The industry is projected to touch USD100 billion by 2020 growing from USD30 billion in 2016.
- With the growth in the e-commerce industry, online retail is estimated to reach USD70 billion by 2020 from USD 3 billion in 2014.

- The government plans to allow 100 per cent FDI in e-commerce, under the arrangement that the products sold must be manufactured in India to gain from the liberalized regime.
- According to ASSOCHAM, the value of online retail purchases made by consumers in India is projected to cross USD 100 billion by 2017.
- In FY 2016, India's largest online grocery store, BigBasket, grew by 3 times & registered sales of over USD76.38 billion.
- In 2016, the online retail industry of the country registered a growth of 12 per cent, over the previous year, with the revenue reaching USD14.5 billion.

(Adapted from India Brand Equity Foundation Report)

In this paper, efforts have been made in analyzing the food and grocery segment of Indian Organized Retailing Industry.

Methodology

The analytical study is based on secondary data collected from reports and websites of different Indian companies engaged in food and grocery segment of Indian Organized Retailing Industry.

Utility

This secondary data based analytical study will be useful to researchers, academicians and corporate officers for getting the idea about the present status of Food and Grocery Segment of Indian Organized Retailing Industry.

Analytical Study of Food and Grocery Segment of Indian Organized Retailing Industry

The following part of the research paper concentrates on the analytical study of food and grocery segment of Indian Organized Retailing Industry which includes the market size of the segment, market segmentation, SWOT Analysis and status of some key players engaged in this segment.

Market Size & Growth

The Retail industry has been on a growth path over the past few years. As per BCG Retail 2020 report, Indian retail market industry is expected to be worth US\$ 1 trillion by 2020 (from US\$ 600 billion in 2015). As per India Brand, Equity Foundation report the market size of Indian Retailing Industry in 2016 is USD672 billion and it is estimated that it will be USD1.3 trillion in 2020.

The food and grocery retail market include the retail sales of all food products, both packaged and unpackaged, as well as beverages (including retail sales of all alcoholic and non-alcoholic beverages), and household products. As per Indian Retail Report published by Images Multimedia Pvt. Ltd., New Delhi in the year 2015-2016 the market size of this segment was Rs. '2,303,496 Cr (US\$ 383.92 billion) growing at 15-16 % and is anticipated to cross Rs. 3,564,000 Cr (US\$ 594 billion) by 2017 and expected to grow at 20-25 per cent. Food and grocery segment is expected to remain the largest in sales value terms in Indian Organised Retailing business which is growing at a CAGR of 11.6%. A strong and growing economy presents ample opportunities for organized retailers, the country's young and expanding middle class holds the key to the growth of retail industry. Changing pattern of consumption and living standards creates huge opportunities for growth of food and grocery segment. The food industry, which is currently valued at US\$ 39.71 billion!, is expected to grow at a Compounded Annual Growth Rate (CAGR) of 11 per cent to US\$ 65.4 billion by 2018. Food and grocery segment accounts for around 31 per cent of India's consumption basket. The Indian food and grocery market is the world's sixth largest, with retail contributing 70 per cent of the sales. The Indian food retail market is expected to reach Rs 61 lakh crore (US\$ 915 billion) by 2020 . Food and grocery currently contribute to around 70 per cent of the total retail sales. The unorganized segment still constitutes 99 per cent of the total food and grocery market and is characterized by the traditional mom-and-pop Kirana stores. The modern formats account for just 1 per cent of the total food and grocery market and are characterized by cash and carry stores, hypermarkets, supermarkets, discount supermarkets and convenience stores. Food market in India is largely unorganized. A significant new trend emerging in the retail sector is the increase in sales during discount seasons. It has been observed that sales numbers in discount seasons are significantly higher than at other times. This is prompting retailers to start discounts earlier and have longer than usual sale season. Also, concepts such as online retailing and direct selling are becoming increasingly popular in India thereby boosting the growth of the retail sector.

Market Segmentation

Food and Grocery market in India is divided into raw food segment, processed food segment & packaged food segment. India is an agriculture based economy in which there are plenty of raw food items. Among the raw food segment, pulses, grains, legumes, fruits, and vegetables having the highest share. The next big share comes from milk, poultry, eggs, meat, and seafood. These raw food items are processed and packaged by business units in the food industry. A large part of raw food items which are used for direct consumption gets wasted in the supply chain due to lack of proper distribution and storage system. The processed and packaged food items are distributed in the markets.

SWOT Analysis

The following part of the research paper focuses on SWOT Analysis of Food and Grocery segment in brief.

Ñ **Strengths:** The following are the strengths of Food and Grocery Segment.

- Foundation of household consumption
- Market /Category is driven by all consumer segments
- Main retail vertical & a basic consumption category

Ñ **Weakness:** The following are the weakness of Food and Grocery Segment.

- Inflation is the barrier as this market is highly sensitive.
- Wastage losses due to absence of strong supply chain mechanism
- Per capita use of food and grocery items is low.

Ñ **Opportunities:** The following are the opportunities of Food and Grocery Segment.

- Emergence of modern format of retailing like supermarkets, food stores & hypermarket chains
- Due attention by producers/manufacturers on improving food packaging & quality
- Rising demand for imported, organic and specialty food items

Ñ **Threats:** The following are the threats of Food and Grocery Segment.

- Longer inflation period reducing consumer spending
- Insufficient cold storage facilities for imported & foreign food
- Lack of investor welcoming FDI policy & its implementation

Key Players of Segment in India

So many companies are engaged in Indian business. The following part of the paper gives the brief idea about some key players working in food and grocery business in India.

- **Big Bazaar/Food Bazaar:** This is leading business unit of future group operates hypermarket format , big bazaar , supermarket format , food market and gourmet retail format and food hall . The company operates 163 big bazaar stores and 186 food bazaar stores., among others format in over 95 cities across the country .

Ñ **D-Mart:** Avenue Supermarket Ltd (ASL) owns and operates hypermarkets and supermarkets under the name , D –Mart which was started first time in Mumbai in 2000 . Today D-Mart operates 77 stores across Maharashtra, Gujarat, Andrapradesh , and Karnataka .

Ñ **Easyday:** Bharti Retail Limited , a wholly owned subsidiary of Cedar Support Services Limited , which belongs to the Bharti Group of Companies , one of the India's leading groups , owns and operates neighborhood stores , Easyday and compact hypermarket stores and Easyday market.

Ñ **Food world:** Food world Supermarkets chain of stores operates around 75 supermarkets across Bengaluru and Hyderabad and plans to expand its footprint to 200 Food world stores in India in different formats.

Ñ **Heritage Fresh:** The Food and grocery retail arm of Heritage Group was set up under the Heritage Fresh Brand name under Heritage food in November 2006.

- Ñ **Hyper City:** The first Hypercity store opened in Mumbai in May 2006 . The Hypermarket chain currently operates 9 stores in Mumbai, Bangalore, Hyderabad, Pune, Ahmadabad, Vadodra, Bhopal, Amritsar and Jaipur .
- Ñ **In & Out:** Bharat Petroleum has pioneered the concept of Convenience Store in the country. Called 'In & Out', These stores go a long way in meeting customers' convenience need on the road.
- Ñ **K B'S Fair Price:** Launched in August 2007 KB's fair prices are no frills neighborhood convince stores , and operated by Pantaloon's Retail (India) Limited . KB's fair price is currently operates 176 stores in 3 markets Mumbai, Delhi and Bangalore .
- Ñ **Le Marche:** The first Store of Le Marche launched in 1989, by promoters Naresh Kumar and Mini Yadav, to offer high quality delicatessen and bakery products. Under the brand name Sugar and Spice Le Marche is a complete food store offering everything from basic every day groceries to exotic imports from across the globe. The stores boast of an extensive meats section with wide range of fresh and marinated meats, poultry and seafood.
- Ñ **More:** Aditya Birla Retail Ltd is retail arm of Aditya Birla Group, a USD 40 Billion corporation. The company ventured into food and grocery retail sector in 2007 with acquisition of south base super market chain, Trinethra. Subsequently, Aditya Birla Retail Ltd expanded its presence across the country under brand 'More' with two formats, supermarket and hypermarket. Currently there are 487 supermarkets across the country .
- Ñ **Nature's Basket:** Godrej Nature's Basket is the food retailing format of Godrej Agrovet Ltd, which is wholly owned by Godrej group. Started in 2005 as a single fresh food store, they have today morphed into a 32 store chain of premium gourmet stores strategically located in high street location in Mumbai, Delhi/NCR, Pune, Hyderabad and Bangalore.
- Ñ **Nilgiri's:** Nilgiri's is South India's leading chain of retail stores providing consumers a shopping experience that hinges around freshness of product, superior quality and better value .
- Ñ **Nuts 'n' Spices:** Nuts 'n' Spices was founded in June 1999. With over three generations of experience in business, the retailer currently operates a chain of 22 outlets across Chennai.
- Ñ **Q-Mart:** Q-Mart is a lifestyle supermarket located in the upscale area of Banjara Hills. Hyderabad. Q-Mart was established in 1996 and came under the current management in September 2001. The store carries an extensive range of products such as groceries, personal care products, snacks & ice-cream, vegetables all kind of meat, dairy products, stationary, chocolate & confectionary, juice & beverage, cosmetic, pet care products, cleaning products & detergents etc. Q-Mart stocks an extensive range of imported and gourmet products. The store commenced operation in 1997 when organized retailing was in a very nascent stage in India. The store has an annual turnover of over Rs 250 million and an average footfall of over 1500 per day.
- Ñ **Ratnadeep:** Hyderabad base Ratnadeep Begins in 1987 in Space of Quality Grocery and FMCG products. In last 20 years Ratnadeep supermarket has grown from a small partnership firm to a multi store private limited Company. Today Ratnadeep has 23 Operational Stores.
- Ñ **Reliance Fresh:** Reliance Retail Limited , a subsidiary of RIL was set up to lead Reliance Group's venture into organized retail . Since its inception in 2006 , RRL has grown into an organization that caters to million of customers , thousand of farmers and vendors . Reliance Retail currently operates 453 Reliance Fresh stores across India .
- Ñ **Savemax:** Savemax Wholesale, established in 2011, is part of the BSRK Group. It is the first retail chain to introduce the wholesale club model in India through which both retail and institutional customers get wholesale rates on all products on all days. At present Savemax has three retail stores in Delhi: two in Dwarka and one in Kalkaji. It is planning to expand in 6 states (Haryana, Madhya Pradesh, Uttarakhand, Gujarat, Uttar Pradesh and Punjab) by March 2017 at an investment of Rs 300 crore.
- Ñ **Spencer's:** Spencer's is one of the earliest entrants into the modern food retail space. It is considered to have introduced the Indian Consumers to the concept of organized retailing. Spencer's operate two food and grocery formats, small neighborhood grocery stores and hypermarkets.

₹ **Star Bazaar:** STAR Barar, A Tata enterprise, is a multi-format hypermarket chain present in Mumbai. Pune. Kolhapur, Aurangabad and Bengaluru.

₹ **Twenty Four Seven Convenience Store:** The Twenty four Seven Convenience Store chain in one of India's premiere organized retail chain in the 'round-the-clock' store format. The store chain caters to the young working populous, providing them an international shopping experiences with a variety of over 2500 products, including imported, and services. These include grocery. Dairy, Snacks, Pharmacy, Cosmetics, Music, Magazine. Movies, Movie tickets, Bill payments, Mobile recharge,

Concluding Remarks: The concluding remarks of this research paper are as under.

- Indian retail market industry is expected to be worth US\$ 1 trillion by 2020 (from US\$ 600 billion in 2015).
- As per Indian Retail Report published by Images Multimedia Pvt. Ltd., New Delhi in the year 2015-2016 the market size of this food and grocery segment was Rs. '2,303,496 Cr (US\$ 383.92 billion) growing at 15-16 % and is anticipated to cross Rs. 3,564,000 Cr (US\$ 594 billion) by 2017.
- This segment will grow at 20-25 per cent.
- Some foreign players have also entered the Indian market and they are also performing well.
- Changing pattern of consumption and living standards creates huge opportunities for growth of food and grocery segment.
- The unorganized segment still constitutes 99 per cent of the total food and grocery market and is characterized by the traditional mom-and-pop Kirana stores. The modern formats account for just 1 per cent of the total food and grocery market.

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