Challenges & Issues in Retailing of Pulses in India

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Abstract

The revolution in retailing industry has brought many changes and also opened door for many commodities like pulses. In a market like India there is a constant clash between challenges and opportunities but chances favor those companies that are trying to establish themselves. In pulse industry there is outcry of the pulse processor regarding sales of their pulses which are totally dependent upon the middle man's, brokers & traders as channel of their distribution, so if pulse processors to sustain in a market like India pulses processors have to bring innovative solutions and establishment of their brand by entering into retail market which might help them ensure safe sales without any dependency on the inter mediates. Indian market has huge potential to accommodate many pulse retail players, because still a small proportion of the pie is organized. The paper tries to discuss the challenges for the pulse processor to enter into retailing: like merchandising mix, retail differentiation, supply chain management for pulse and how retailing can help pulse processor to sell their pulses & the also consumers to buy from origins with better quality & quantity consistently.

Keywords

Retail differentiation, supply chain, merchandising mix, private level Brand.

I. Introduction

Retail is the sale of goods to the end users, not for resale, but for the use and consumption of the purchaser. Retail Industry in India is the second largest employer after Agriculture. It contributes to 10 % of GDP and 6-7 % of the Employment. The size of Pulses economy of the world is 61.3 million MT. India is the largest producing country with 22 % (13.50 million MT) of the world production concentrated in India. But, as India has a large vegetarian population, which is largely dependent upon pulses, wheat and milk as its major source of protein. The size of consumption of pulses in India is around 16 million MT. In order to meet such demand, India is dependent upon import of pulses to the extent of 2-3 million MT. India imports its requirements from various countries, such as Myanmar (Urad & Tur), Canada ,Australia and various other countries. Retailing of pulses still in its infancy in India in the name of retailing, the unorganized retailing has dominated the Indian landscape so far. According to an estimate the unorganized retail sector has 97% presence whereas the organized accounts for merely 3%. Industry has already predicted a trillion dollar market in retail sector in India by 2010. However, the retail industry in India is undergoing a major shake-up as the country is witnessing a retail revolution. The old traditional formats are slowly changing into more complex and bigger formats. Malls and mega malls are coming up in almost all the places be it – metros or the smaller cities, across the length and breadth of the country. A McKinsey report on India (2004) says organized retailing would increase the efficiency and productivity of entire gamut of economic activities, and would help in achieving higher 10% GDP growth. At 6-7%, the share of employment of retail in India is low, even when compared to Brazil (14%), and Poland (12%).Government of India's plan of changing the Foreign Direct Investment guidelines in this sector speaks of the importance attached to retailing. Recently moves by big corporate houses like Reliance Industries has further fuelled the major investments in retail sector. A strategic alliance, land acquisitions in prime areas give the essence of the mood in this sector. Both MNCs and Indian firms want to get their share of this burgeoning pie. Notable in Indian firms are Pantaloons Retail & Big Bazaar, Trent's Westside, Shopper's stop, Reliance and Subhiskha, Wills Lifestyle stores, Café Coffee Day, which are present in India in different retail formats. Wal-Mart stores have just started operations in India.

A. The Indian Retail Sector

India is the country having the most unorganized retail market. Traditionally it was a family's livelihood, with their shop in the front and house at the back, while they run the retail business. More than 99% retailer's function in less than 500 square feet of shopping space. Global retail consultants KSA Technopak have estimated that organized retailing in India is expected to touch Rs 65,000 crore in the year 2011-12. The Indian retail sector is estimated at around Rs 9,00,000 crore, of which the organized sector accounts for a mere 2 % indicating a huge potential market opportunity that is lying in the waiting for the consumer-savvy organized retailer. Purchasing power of Indian urban consumer is growing and branded merchandise in categories like apparels, cosmetics, shoes, watches, beverages, food & even jewellery, are slowly becoming lifestyle products that are widely accepted by the urban Indian consumer. Indian retailers need to advantage of this growth and aiming to grow, diversify and introduce new formats have to pay more attention to the brand building process. The emphasis here is on retail as a brand rather than retailers selling brands. The focus should be on branding the retail business itself. There is no doubt that the Indian retail scene is booming.

The Indian retail scene has witnessed too many players in too short a time, crowding several categories without looking at their core competencies or having a well thought out branding strategy. The growth rate of super market sales has been significant in recent years because greater numbers of higher income Indians prefer to shop at super markets due to higher standards of hygiene and attractive ambience. Here also small, single-outlet retailers dominate the market. Although these retail chains account for only a small share of the total market, their business is expected to grow significantly in the future due to the growing quality consciousness of buyers for these products . Despite the large size of this market, very few large and modern retailers have established specialized stores for products.

Increasing household incomes due to better economic opportunities have encouraged consumer expenditure on leisure, hygienic foods & personal goods in the country. Another prominent feature of this sector is popularity of franchising agreements between established manufacturers and retailers. A strong impetus to the growth of retail industry is witnessed by economic boom and driver of key trends in urban as well as rural India.

1. Key Trends in Urban India:

Retailing in India is witnessing a huge revamping exercise.

*   Estimated to be US$ 200 billion, of which organized retailing (i.e. modern trade) makes up 3 % or US$ 6.4 billion.
*   India is rated the fifth most attractive emerging retail market: a potential goldmine Ranked second in a Global Retail Development Index of 30 developing countries drawn up by at Kearney. India is rated the fifth most attractive emerging retail market: a potential goldmine. Food and apparel retailing key drivers of growth.
*   Organized retailing in India has been largely an urban phenomenon with affluent classes and growing number of double-income households.

Table 1: Various corporate outlets presently operating in India:

Source: Data Agriwatch Pulses global summit -2010

Corporate	No of Outlets	Remarks
Reliance Retail	700+	Biggest Retail Chain & fast Expanding, operating in 14 States.
Big Bazaar	164	Fast Expanding, Big Size Stores
Bharti - Walmart	105 03	Retail Stores in NCR, Punjab, UP & Rajasthan, Expanding quickly to South Cash & carry Stores
Aditya Birla	500+	Concentration in South(acquired Trinethra and Fab Malls)
Spencer's	210	Oldest Retailer in India, operates in 27 Cities
Metro-AG- Germany	4	Cash and carry stores located at Mumbai, Hyderabad & Kolkata, Expanding Slowly

Source: Data Agriwatch Pulses global summit -2010

Table 2: Organized retail country wise:

Country	Percentage
1 USA	80
2 Western European Countries	70 %
3 Argentine	40 %
4 Thailand	40 %
5 China	20 %
6 Malaysia	20 %
7 India	06**

** FDI (Foreign Direct Investment is allowed partially)

III. The Hidden Challenges

Modern retailing of the pulses is all about directly having "firsthand experience" with customers, giving them such a satiable experience that they would like to enjoy again and again. Providing great experience to customers can easily be said than done. Thus challenges like retail differentiation, merchandising mix, supply chain management and competition from supplier's brands are the talk of the day. In India, as we are moving to the next phase of retail development, each endeavor to offer experiential shopping. One of the key observations by customers is that it is very difficult to find the uniqueness of retail stores.

IV. The problem: retail differentiation.

The next problem in setting up organized pulses retail operation is that of supply chain logistics. India lacks a strong supply chain when compared to Europe or the USA. The existing supply chain has too many intermediaries: Typical supply chain looks like - Manufacturer - National distributor - Regional distributor - Local wholesaler - Retailer - Consumer. This implies that global retail chains will have to build a supply chain network from scratch. This might run foul with the existing supply chain operators. In addition to fragmented supply chain, the trucking and transportation system is antiquated. The concept of container trucks, automated warehousing is yet to take root in India. The result: significant losses/damages during shipping.

Merchandising planning in the pulses is one of the biggest challenges that any multi store retailer faces. Getting the right mix of product, which is store specific across organization, is a combination of customer insight, allocation & assortment techniques.

The private label will continue to compete with brand leaders. So supplier's brand will take their own way because they have to establish brand image from last decades and the reasons can be attributed to better customer experience, value vs. price, aspiration and accessibility of supplier's brand.

Table 3: Global sales competitions among the retailers:

Rank	Name of Retailer	Sales (USD Billon)	Grocery Sales (%)
1	Wal-Mart - USA	235	44%
2	Tesco- UK	63	75%
3	Carrefour-France	58	84%
4	Home Depot -USA	55	51%
5	Kroger - USA	55	70%
6	Walgreens -USA	52	75%
7	Alde Group- Germany	48	18%

Source: Data Agriwatch Pulses global summit -2010

Organized Retail is 5.5 % of the total retail Industry and expected to grow by 10% by 2012.

*   Increasing Consumer aspiration
*   Growing no of Nuclear families
*   Growing Size of working women segment
*   Demand from tier II and III cities and rural markets

Table 4: The table shows the various volume & margin in food concerns:

Category	Volume %	Margin %	Weight age %
Oils	30	5-7	14

Pulses	17	16-18	22
Rice	17	12-13	16
Flours	11	12-14	10
Spices	10	22-28	20
Sugar	9	6-7	5
Dry Fruits	3	20-25	7
Salt	1	25-30	2
Wheat	1	15-18	1

Source: Data Agriwatch Pulses global summit -2010

V. Strategies

A. Right Positioning & Plano Category wise stacking:
The effectiveness of the mall developer's communication of the offering to the target customers determines how well the mall gets positioned in their minds. At this stage, the communication has to be more of relative nature. This implies that the message conveyed to the target customers must be effective enough in differentiating the mall's offering from that of its competitors without even naming them. The core purpose is to inform the target customers about the offering of the mall, persuade them to visit the mall and remind them about the mall. The mall developer can create awareness about the offering among the target customers in a number of ways. Various communication tools available to the mall developer for this purpose may include advertising, buzz marketing, celebrity endorsement, use of print media, press releases and viral marketing .Right Plano category wise stacking will help pulse positioning.

B. Pulses scenario at glance
Any item that is washed before cooking, the consumer prefers to buy it loose as it's economical.
Items such as dals, rice & wheat mostly sold in loose.
Dals - no national brand, all are private label of the retailers.
Items like Atta, edible oil are stacked from left to right
Stacking from top to bottom oil, powered spices, salt etc is sold in packets (branded), because of its hygienic aspect.

Table 5: Plano category wise stacking

Table 6: Plano – Bay Allocation for Commodities:

	Bay 32		
OIL	6.00		
Rice	6.00		
Pulses	6.00	Toor	2
Flours	3.50	Mung	1
Wheat	0.50	Chana	1
Spices	5.00	Urad/ Masoor	1
Salt	0.50	Minor pulses	1
Sugar	2.50		
DF	2.00		
Total	32.00		

C. Pulses Mix in Modern Retail
Major Dals　- 85 %
–　　　Toor, urad, mung , chana, kabuli chana & masoor

Minor Dals　- 15 %
–　　　Green peas, white peas, chitra, red, sharmili, lobia, soybean & moth.

Table 7: Pulses Assortment:

Item	Select	Value	Loose Bins
Toor	Gujarat	Latur	Latur/Sawa
Moong	Desi	Desi	Desi/Import
Urad	Desi	Import	Import
Chana	Bold	Medium	Medium
Masoor	Bold	Medium	medium
Kabuli	42-44	58-60	58-60
Chitra	Import		Import
G Peas	USA	Canada	

Source: Data collected Agriwatch MP Summit -2010

Table 8: Pulses sales mix in India:

Types of Pulses	Volumes %
Toor Dal	24
Chana Dal	23
Mung Dal	16
Urad Dal	10
Peanuts	5
Other Dal	22

Table 9: Packaging of Pulses:

Pack Size	%
200 gm	5
500 gm	44
1 kg	43
2 kg	8

Source: Data from Big Bazaar.

Table 10: Retail Sales of Pulses in the Indian Retail Market ('000 Tones)

Item/Year	2006	2007	2008	2009	2010
Fresh Food	171,460.30	187,854.80	205,065.50	222,562.90	240,962.50
Meat	3,340.50	3,697.80	4,110.20	4,578.80	5,089.50
Fish & Seafood	4,585.40	4,904.40	5,293.20	5,740.80	6,173
Pulses	5,064.20	17,422.30	18,120.40	19,670.40	21,130.10

Source: Fresh foods: Euro monitor

D.Indian Consumer Trends
1. Pulse consumption in India differs by region; pulses such as lentils are

popular in northern India but are not the pulse of preference in southern India.

2. Pulses which are popular in all parts of the country include: Desi chickpeas, green peas, yellow peas, and black eye beans.

3. Demand for pulses is on the pulses which are popular in northern India including: Kabuli chickpeas, rise due to economic growth lentils, and kidney beans in India.

4. Pulses which are more popular in southern India include: pigeon peas and urad.

5. Indian production of pulses is stagnant, creating low income, rural Indians tend to prefer horse gram (legumes from the tropics grown mostly under dry-land conditions) and khesari (European opportunities for Canada native pulse grown in the east of India).

6. Yellow peas are Canada's Canadian yellow peas, and other pulses, are often used as substitutes for the higher priced Indian-produced pulses. Canadian yellow peas, in leading pulse export to particular, are much cheaper than Indian produced desi and pigeon peas.

7. Most pulses in India are either split or used in the production of flour study reveals only Kabuli & green peas are consumed in whole form. Split & whole pulses are usually cooked and served as part of a meal with rice or traditional Indian bread.

8. Chickpea, urad & mung flours are generally very popular. All are important ingredients used in the preparation of snack foods in India. As snack food is also a fast growing market in India, due to rising incomes pulse flours will be in higher demand.

Table 11: Weekly Buying Behaviors of Indian Consumers:

Week Day's	Percentage	
Monday	:	11%
Tuesday	:	12%
Wednesday	:	11 %
Thursday	:	11 %
Friday	:	16 %
Saturday	:	20 %
Sunday	:	19 %

Source :Data from Reliance retail

E: Strong Supply Chain of Pulses

Critical components of supply chain planning applications can help manufacturers meet retailers' service levels and maintain profit margins. Retailer has to develop innovative solution for managing the supply chain problems. Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning, production planning, lean systems and staff should help retailers to get advantage over competitors.
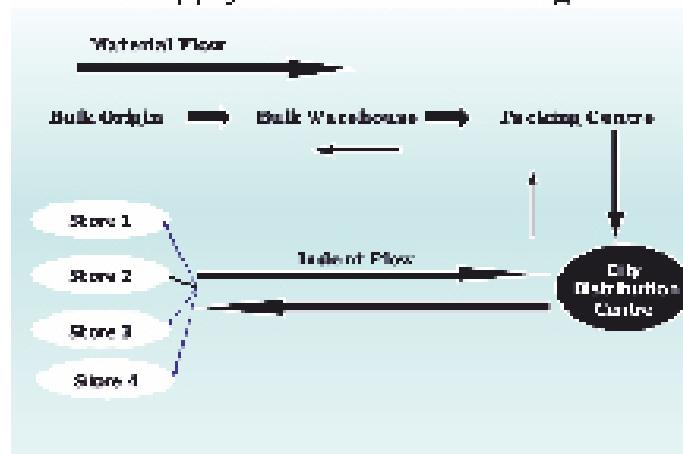

Fig. 1: Supply Chain & sourcing

1. Buying of Dals

(i) Small retailer Store
– Buying locally
– Buying at high price.
– Lack economies of scale

(ii) Bigger Retail chains
– Buy from origins.
– Better quality and quality consistency.
– Definite demand, makes buying easy.
– Better bargaining power.
– Can work in positions if market is bullish.
– If market drops: loss of profit/ averaging of bulk price.

Graph: 1
Effects are mild – since we operate Pulses Basket
Gestation period (Bulk Buying to supply at store – 10 days)
Weekly benchmarking & price change
MRP restrictions
In bullish market : Unable to take full advantage
In bearish market: Buying cost goes down margin increases.
Easy to average (Since throughput is high)
Loss of profit.

VI. Problems / Challenges in Pulse Retailing
Getting low income groups to shop at our stores i.e. Drivers, maid & laborer.
High cost of real estate.
Lack of adequate infrastructure, poor roads & cold chain.
Lack of availability of skilled manpower.
Unavailability of uniform quality raw material round the year.
Government Regulations, PFA, Package Commodity Act, Weights & Measures, Factory Act. Etc.
Price war among retailers.

VII. Conclusion
Pulses in India go through a large supply chain which drives up the price for consumers. This is generally due to the large number of intermediaries who take their "cut" of the value of the pulses. It is estimated that each middle-man in the pulse supply chain takes at least 1% commission on their sales. The primary means of distribution is either through wholesalers or retail stores. In their preparation to face fierce competitive sales pressure, Indian pulse processor must enter into retailing, must come to recognize the value of building their own brands &

stores to reinforce their marketing Positioning, to communicate quality as well as value for money. Sustainable competitive advantage will be dependent on translating core values combining products, image and reputation into a coherent retail .Government regulations like package commodity act weight & measure act factory act should also support the pulse processor to enter into retails thus this definitely help pulse processor to assure and give pulses at a reasonable price with good quality to the consumers.

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