Dissertation rapid strides along its growth path

Business, Accounting

DissertationProject Report 1st Draft – 2017-2018. Projecttitle – Opportunitiesand Challenges in Organized Retail of Fruits and Vegetables in Pune City Submittedby –ShaileshChavan (16020242040) Underthe guidance of – Dr. Shubhangi Salokhe (Professor, Agribusiness, SIIB)Contents 1.

 Introduction The organised retailbusiness in its new ‘ avatar’ began its growth story in the country only afterthe liberalisation of the economic policies. An USP of the new retail format, especially the malls, as a one-stop shop with the added advantage ofentertainment and food courts, aim at making shopping an enjoyable experiencefor the discerning consumer-family. Initially, this industry showed a greatpromise, making rapid strides along its growth path but with the globalrecession of 2008 impacting the domestic retail scenario, a few major playershave downed the shutters.

However, the organised retail market appears to bepoised on a phase of consolidation with mergers and acquisitions. The outcomeof the policy debate on FDI in multi-brand retail could impact the growthtrajectory of the industry. Retailing has beendefined as business activities involved in selling goods and services to consumersfor their personal, family or household use (Berman and Evans, 2001). Organizedretail is nothing but a retail place all the items are segregated and broughtunder one roof, unlike the unorganized retail where there are different thingsare sold in different shops. It also aims to bring maximum of different brandsmaking the same type of product together. ‘ Agro Products’embraces a broad all-inclusive category of products related to AGRICULTURE.

Itincludes a comprehensive range of raw and finished goods under theclassifications of plants, animals and other life forms. The term ‘ agro’ hasstemmed from the Greek word ‘ agros’ meaning field, which has led to its currentusage meaning anything that falls under the ‘ agricultural’ category. TheOrganised retail segment in India is expected to witness higher growth goingforward due to the FDI clearances in retailing, the changing consumer needs, rise in young (15-49 years) and working women population, and increase innuclear families among others. It is estimated that the young population islikely to constitute 53. 0% of the total population in 2020 and 46. 5% of thepopulation in 2050 – much higher than countries like the US, the UK, Germany, China etc. Today retailing is largest contributing sector to country’s GDP i. e.

10% as compared to 8% in China, 6% in Brazi Objectivesof Study 1. Tounderstand current scenario of organized and unorganized retail of fruits andvegetables 2. Toanalyze major issues in organized retail of fruits and vegetables 3.

Tounderstand consumer awareness regarding organized and unorganized retail ofFruits And vegetables 4. Tounderstand consumer perception and behavior regarding organized and unorganizedretail of fruits and vegetables Methodology 1. Secondarydata from online and authentic literatures 2. Primaryresearch of consumers through survey Research Design- Descriptive Research Sampling Design -Sampling Frame – Consumer who purchase from bothorganised and unorganised retailers. Sampling Unit – Consumer from different age, group, gender, occupation, income level and educationalbackgrounds. Sampling Size – 100 customer Data Collection Methods – Primary Data – Survey Methods Secondary data – Data will be collected fromrespondents and journals and from previous study related to the retailingsector. SecondaryResearch AnalysisCurrentScenario of RetailThestudy brings out several findings that have serious policy implications.

Theorganised retail which accounts for 5 per cent of the total retail trade ispoised to grow at an annual rate of around 11 per cent and is likely to touchbusiness levels of 53, 000 billion by 2020. Agri-food retailing accounts for 18per cent of the organised retail today and is likely to have a lower share(12%) by 2020. The study has identified a few major impediments, especiallystructural, hampering the growth of organised retail. Direct sourcing byretailers from farmers is less prevalent though it is most desirable and in theinterest of all stakeholders. Retailin IndiaTheRetail Sector is the largest sector in India after agriculture, accounting forover 10 per cent of the country's GDP and around 8 per cent of the employment. India has the most unorganized retail market in the world. The Indian industryis divided into organized and unorganized sectors. Organized retailing refersto trading activities undertaken by licensed retailers, that is, those who areregistered for sales tax, income tax, etc.

These include the corporate-backedhypermarkets and retail chains, and also the privately owned large retailbusinesses. Unorganized retailing, on the other hand, refers to the traditionalformats of low-cost retailing, such as the local kirana shops, owner mannedgeneral stores, paan/beedi shops, convenience stores, hand cart and pavementvendors, etc. In the beginning there were only kirana stores called Mom and PopStores, the Friendly neighbourhood stores selling every day needs.

Mostretailers of the market have their shop in the front and house at the back. AllIndian households have traditionally enjoyed the convenience of calling up thecorner grocery " kirana" store, which is all too familiar with theirbrand preferences, offers credit, and applies flexible conditions for productreturns and exchange. And while mall based shopping formats are gainingpopularity in most cities today, the price-sensitive Indian shopper has reachedout to stores such as Big Bazaar mainly for the steep discounts and bulkprices. Retail chains such as Reliance Fresh and More have reportedly closeddown operations in some of their locations, because after the initial noveltyfaded off, most shoppers preferred the convenience and access offered by thelocal kirana store. So how would these Western multi-brand stores such asWal-Mart and Carrefour strategies their entry into the country and gain accessto the average Indian household? Wal-Mart has already entered the marketthrough its partnership with Bharti, and gained opportunity for some earlyobservations. The company’s entry into China will also have brought someunderstanding on catering to a large, diverse market, and perspectives onbuying behaviour in Asian households.

Carrefour on the other hand has launchedits wholesale cash and carry operations in the country for professionalbusinesses and retailers, and will now need to focus more on understanding theindividual Indian customer. (Dr. Rajiv Kaushik andKapil Dev, 2015) NeedFor Study: Indianretail industry plays an important role for the economic growth of our country. Indian retail sector or industry is one of the sunrise sectors with huge growthpotential. Retailing is the largest private industry in India. In year 2001 theamount of FDI in India came to $42. 3 billion, in next year 2002 it figure to$54.

1 billion this figures stood at $75. 4 in year 2003 and $113 billion in year2004 which clearly denotes that the flow of foreign direct investment has grownat a very fast pace. According to the investment Commission of India, theretail sector is expected to grow almost three times its current levels to $660billion by 2015. (Dr. D.

D. Bedia et al. Aug 2017)   OpportunitiesValue chain of fresh vegetables & fruitsInthe present era of globalization agriculture is facing some new challengeswhich relates to linking farmers to modern supply chains, lack of technicalknowledge to meet stringent quality and food safety standards, exportcompetitiveness due to sanitary phyto-sanitary measures.

(Singh Rakesh, Banaras University, 2009)Food retail supply chain in IndiaIncreasing scale oforganised retail distribution network and increasing competition are forcingthe players to focus on restructuring the whole supply chain to improveproductivity and provide a better deal to customers. Indian market andcustomers are mainly influenced by their socio economic environment andpsychological behaviour so retailers should be aware of these factors.

However, no holistic study has been reported in the Indian context probing that whichparameters shoppers' consider important when they decide which retail formatthey want to shop in and from which parameters they derive maximum utility. InIndia, organized retailers are trying out a variety of formats, ranging fromsupermarkets, discount stores to organise. The innovations brought by retailersand marketers in the practice of retailing have been providing new paradigms inthe way shoppers have been disposed towards their act of shopping. (S. Pannerselvam, 2011)Farmersand Organised Retail Theexperience of other countries in organised modern retail of food shows thatprocessed food occupies the largest share of retail (roughly 65%), followed by semiprocessed food (about 20%), and fresh food (about 15%). Farmers areincreasingly realizing the gains from not only direct links to organised modernretailers but also to processors. A study commissioned by the World Bank in2007 showed that in India the average price received by the farmer in a typicalhorticulture product is only 12–15% of the price paid by the consumer.

It hasalso been found that there is a wide disparity in the prices of horticulture productsacross markets in the country. (C. Rangarajan, 2012)Cooperativesand Organised Organised Retailing and Agri-BusinessRetailThe success of Amul and Mother Dairy clearly bring out how organised retail canbe very beneficial not only to the consumer but also to the farmer. (OrganisedRetailing and Agri-Business C. Rangarajan, 2012)Contract Farming andOrganised Retail Various InternationalFood Policy Research Institute (IFPRI) studies (on Mother Dairy, Nestle, andVenkateshwara Hatcheries) have shown that contract farmers earn higher ascompared to noncontract farmers. Contracting reduces cost of production bycutting down marketing and transaction costs.

Contracting also gives themaccess to global markets as against local markets which offer them the bestprices. (Organised Retailing and Agri-Business C. Rangarajan, 2012) ChallengesOrganised agri food retailingis still urban centric, miniscule albeit growing at one and a half times asfast as food retailing (NABARD, 2011)Based on estimates ofvalue share of purchase of food in organised retail among the primary surveyrespondents (22% and 14% respectively for class A and class B cities) of over1, 160 consumers from across the country and based on the share of population ofthe surveyed regions in the total population, it is estimated that share oforganised food retailing is about 1. 44% of the size of food retailing, valuedat Rs. 154 billion for 2008-09. Thus, the size of organised food retailing isvery small compared to the size of food retailing. Food retailingessential but not very profitable for organised retailers(NABARD,

2011) It is unfortunate thatno multi-category organised retailer has had any prior experience in food.

Mostorganised retailers in fact are from apparel business. Thus, the complexitiesof dealing with supply chain issues of food were under-estimated. Especially, issues of perishability, wastage and shrinkage, dealing with large number ofsmall suppliers besides volatile and raising prices greatly increased costs andrisks and reduced returns. Organised andunorganised retail would coexist Multipleneeds and utility functions among various socioeconomic classes would ensurethat both organised as well as unorganised retail would coexist primarily inthe food sector. PrimaryAnalysis QuestionnaireConsumer Survey Questionnaire 1) Name: 2) Current City: 3) Gender: Male Female 4) Age: Less than 25 25-30 30-35 35 and above 5) Educational qualification: Undergraduate Graduate Postgraduate 6) Monthly income: <10, 000 10, 000-20, 000 20, 000-30, 000 > 30, 000 7) Background: Urban Rural 8) Where do you often purchase Fruits andVegetables? I) StreetVendors II) Momand Pop shops/Convenience Stores III) SuperStores IV) OnlineGrocery Stores V) OrganisedRetailers 9) Why do you prefer these stores? I) Close toHome II) Quality III) Cheaper IV) Service12) Which Fruits and Vegetables products do youprefer? I) UncutII) Pre-cut 13) Factors influencing buying behaviour Price

Quality Freshness Convenience14) Frequency of purchasing Fruits or Vegetables Daily Onalternate Days Weekly Twicein Month15) Ranking of Consumer based on the Factors thatdetermines the Consumption of their Preferred Purchasing Location Factors Not At All Important A Little Important Important Very Important Mean Rank Availability within area of residence Visual attractiveness (freshness) General dietary pattern of household Price of item Price of close substitute Ambience Income/salary grade level Referencesand Bibliography

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