

NOTE

More on FDI Retail

T K Ganguly writes :

A MODERN RETAIL MART OR supermarket houses a number of retail shops or outlets operating on the level of wholesale prices in the locality i.e. the shops are supposed to purchase directly from the wholesalers/producers and sell at nearly the same rates leaving only a small amount as handling and commission. This is a business process and a lot of variations are possible.

The present way in major centres is to have one or more middlemen acting in between the producer / wholesaler and the small dealer making up the line –(a) producer, (b) agent or procurer or processor who lift the produce to the wholesalers, (c) wholesaler, (d) middleman or go-between who actually carries the goods to the vendor's shop and (e) the retailer. Modern marts, supermarkets, shopping malls or venues going by other similar names act on the principle that the tenants of stalls there are enjoined on to lift products directly from producers /wholesalers and vend them on minimum margin hence ensuring substantial advantage for the consumer through cutting back on (b), (c) and (d) to the extent as appropriate in the circumstance. They have to be people with sound financial background and wisely managed , investors have good chance to garner good profits , hence big finance is interested in ventures on supermarkets.

All seem well but the vendors will have to sell out at wholesale amounts if the wholesale price advantage is to hold and consumers have to lift in bulk as experience in western countries shows eg. pulses in ten kg packs cooking oils in five kg tins, rice and atta in twenty kg sacks and all that, on proportion ; the consumer has to plan a fortnightly or monthly marketing programme and hire a transport, if he has not one for himself, from the supermarket for carrying it home one or two km from the market. His price advantage over the roadside grocery or varieties shop will be substantially eaten away and moreover the people of third world countries are not used to or capable of such styles of shopping and preservation of household and kitchen articles; further, given the ambience in business in this country there is substantial risk of all kinds of spurious material finding their way to the consumers through unscrupulous dealers on all sides. Finally the above analysis shows the scheme is likely to be of advantage to very high income people (by Indian standards) and not appropriate for low or middle income groups who abound Indian markets. High income pockets are there in all cities but they are closely invested by low and middle income households. Hence, there is the risk that small and medium grade outlets and vending points in these sectors of prosperity may face hardship or even extinction along with their supplier network where they may have already grown up as also the village level collectors of agri-products and in these hard days of unemployment it is a moot point if these risks are worth it against so little gains. Lastly, the refrain heard in these debates for the loss of the agriculturist on account of marketing handicaps may turn his dirge once the village

small procurer or trader is eliminated altogether and the field is left open to big parties managing big marts, as shown above; competition thus eliminated the producer will be left at the mercy of these big operators who will sure apply the noose on his neck, if necessary through their cartels.

Introduction of big money in retail business is hence not recommended at a stroke; the matter should be handled slowly and gradually. □□□