



E-ISSN: 2278-4136
P-ISSN: 2349-8234
JPP 2020; 9(1): 115-119
Received: 13-11-2019
Accepted: 15-12-2019

Bhatt JD

Assistant Professor, Post
Graduate Institute of Agri-
Business Management, Junagadh
Agricultural University, Gujarat,
India

Thaker NM

Assistant Professor, Post
Graduate Institute of Agri-
Business Management, Junagadh
Agricultural University, Gujarat,
India

Food retailing in India: An overview

Bhatt JD and Thaker NM

Abstract

The food industry is on a roller coaster as Indians continue to have a feast. Fuelled by – large disposable incomes - the food sector is witnessing a remarkable change in consumption patterns, especially in the terms of food. Food retailing has come of age from a period when food items were sold in small road side grocer shops & mandis, haats and bazaars by vendors to a stage when food products (processed and groceries) are retailed through supermarket stores where consumers can inspect, select and pick up the products they like in a comfortable ambience and still pay a fair price. Retailing is one of the essential functions of agricultural marketing system in general as well as for individual farm product. Food and Grocery is the largest category within the retail sector with 60 per cent share followed by apparel and mobile segment and is the least organized. However, food retail continues to be dominated by small local stores in the unorganized sector. The agricultural retailers in India, which include mainly Food (F) and Grocery (G) retailers, are estimated to be 11.2 million (nearly 2/3 of total retailers). The business value of agricultural retail is Rs 13.2 lakh crores (13.2 trillion). Out of these, the exclusive food retailers are 3.7 million, with a business value of Rs 7.4 lakh crores (7.4 trillion). Food retailing in India is, by and large, unorganized, predominantly small, family owned businesses as per the literature reviewed.

Keywords: Food retailing, agricultural marketing, agricultural retailers

Introduction

“The success of the agri-food retailing industry would result in the economic empowering of all farmers in the country.” January 2011, Dr. K.G. Karmakar, Managing Director, NABARD. The food industry is on a roller coaster as Indians continue to have a feast. Fuelled by – large disposable incomes - the food sector is witnessing a remarkable change in consumption patterns, especially in the terms of food. Food retailing has come of age—from a period when food items were sold in small road side grocer shops & mandis, haats and bazaars by vendors to a stage when food products (processed and groceries) are retailed through supermarket stores where consumers can inspect, select and pick up the products they like in a comfortable ambience and still pay a fair price for the product and the merchandise and sometimes even pay less than the price they would have paid at the nearest food stores. Shopping for groceries is no longer a strenuous and uncomfortable affair; instead, it is a pleasurable experience. From simple trading activity, food retailing is now heading to the status of an industry. Food retail has surpassed the dominating apparel and accessories sector, “Contrary to the belief that fashion is the largest segment of organized retail in India, food & beverages is the major segment, worth Rs 8,97,000 crore,” said Arvind Singhal, chairman, Technopak, at the Indian Retail Forum held in Mumbai. There is an old industry saying that “customer is king” Food retailers today will update that saying to “customers is the dictator “because of fierce competition, new technology and business practices the market power of customer is strong and growing stronger.

Retailing- A Function of Agricultural Marketing

Retailing is one of the essential functions of agricultural marketing system in general as well as for individual farm product. The cost of retailing and consequently the mark-up in price at this last segment of the marketing chain are quite considerable and have remained the focus and concern of researchers as well as policy maker. But for about fifty years after India's Independence, the focus of agricultural marketing system improvement had remained on farmers' first point of contact with the market i.e., mainly the primary wholesale markets or village merchants or aggregators who buy the produce from the farmers. The promotion of farmers markets was also with the same focus on first point of sale by farmers. It is only during the last 10 or 15 years that the focus has shifted to the complete marketing or supply chains. The government has taken several measures to improve the entire marketing chain, including that up to the retail level (Acharya, 2012).

Corresponding Author:

Bhatt JD

Assistant Professor, Post
Graduate Institute of Agri-
Business Management, Junagadh
Agricultural University, Gujarat,
India

Retail Market in India

The Indian retail industry has experienced growth of 10.6% between 2010 and 2012 and is expected to increase to USD 750-850 billion by 2015. Food and Grocery is the largest category within the retail sector with 60 per cent share followed by Apparel and Mobile segment. The retail market in 2015 was valued at US\$600 billion and is expected to grow to US\$1 trillion by 2020 at a growth rate of more than 10% p.a.

The Boston Consulting Group and Retailers Association of India published a report titled, 'Retail 2020: Retrospect, Reinvent, Rewrite', highlighting that India's retail market is expected to nearly double to US\$ 1 trillion by 2020 from US\$ 600 billion in 2015, driven by income growth, urbanisation and attitudinal shifts. Further the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent.

Table 1: Size of Indian Retailing

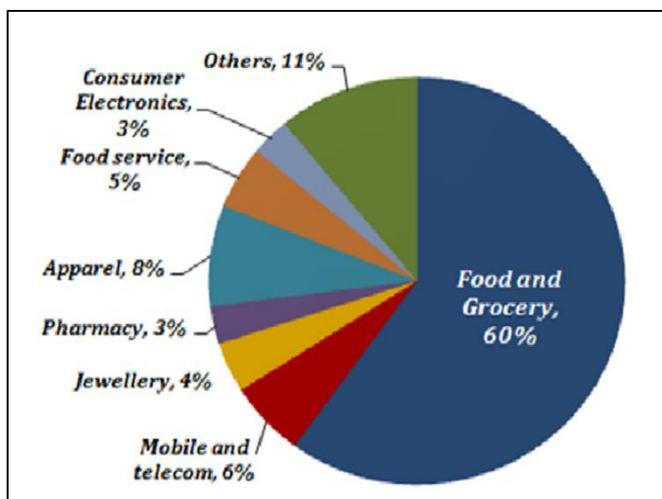
Year	Retail Industry size in Rs Billion	Growth year on year (nominal)	Growth year on year (real)	GDP Growth Rate (real)
2003-04	10,559	-	-	-
2004-05	11,295	7.0	0.5	7.5
2005-06	12,661	12.09	7.66	9.5
2006-07	14,096	11.34	5.92	9.7
2007-08	15,623	10.83	6.22	9.0
2008-09	17,497	12.0	10.93	6.7

Source: NABARD (2011)

Table 2: Indian Retail Market Segments

Categories	Share of each categories into total retail	Share of each categories into total organized retail sector
Food and Grocery	60	11
Clothing	8	33
Mobile and Telecom	6	11
Food service	5	7
Jewelers	4	6
Consumer electronics	3	8
Pharmacy	3	0
Other	11	24
Total	100	100

Source: Vishnu and Kumar (2014)



Source: Deloitte Indian Retail Market (2013)

Fig 1: Retail market in India

India's Food Retail Sector

Food and Grocery is the largest category within the retail sector with 60 per cent share followed by Apparel and Mobile segment and is the least organized. However, food retail continues to be dominated by small local stores in the unorganized sector. General VK Singh (Union Minister of State for Statistics and Programme Implementation) released the India Food Report at the India Food Forum, 2016 revealed that India's Food Retail sector comprising Food & Grocery and Food Service is valued at Rs. 25,12,962 crore (2014) and holds a 65 per cent share in the country's total retail market.

Out of this, Food & Grocery Retail is worth Rs. 23,03,496 crore and Foodservice market is valued at Rs. 2,09,466 crore. The average rate of growth during the past four years in F&G has been 15 per cent per annum and in Foodservice it has been 22 per cent per annum. The respective growth rates are expected to take these retail markets to Rs. 54, 20,789.

Status of Retailing in Agricultural Products

The agricultural retailers in India, which include mainly Food (F) and Grocery (G) retailers, are estimated to be 11.2 million (nearly 2/3 of total retailers). The business value of agricultural retail is Rs 13.2 lakh crores (13.2 trillion). Out of these, the exclusive food retailers are 3.7 million, with a business value of Rs 7.4 lakh crores (7.4 trillion). Food retailing in India is, by and large, unorganized, predominantly small, family owned businesses as 78 percent of G & F retailers are family enterprises and nearly 69 percent of these have less than 500sq. ft. area each. Most of the F & G retailers are under-capitalized i.e., with lower fixed investment. The traditional unorganized retail formats in India are grocers or kirana stores (food & daily household needs); fruit/vegetable shops and corner shops; thelawala, and hawkers (pushcart walas) retailers; cycle or cycle-rikshawwala retail sellers; head-load retailers on road side at busy spots for few hours during the day (spontaneous retailers); and farmers as retailers in farmers' markets or elsewhere. The majority of fresh produce is sold from the carts of travelling vendors. Such produce is deemed to be of low product quality, variety and hygiene (Acharya, 2012).

Table 3: Size of Total Retail and Food & Beverage Retail in India

Year	Retail Industry size in Rs Billion	Growth year on year (nominal)	Growth year on year (real)	GDP Growth Rate (real)
2003-04	10,559	-	-	-
2004-05	11,295	7.0	0.5	7.5
2005-06	12,661	12.09	7.66	9.5
2006-07	14,096	11.34	5.92	9.7
2007-08	15,623	10.83	6.22	9.0
2008-09	17,497	12.0	10.93	6.7

Source: NABARD (2011)

Snapshot: Indian Food Retail Sector

FAS Post analysis indicates the total (food and non-food) retail sector was valued at \$600 billion in 2015.

- Retail food sales are estimated at \$360 billion or about 60 percent of total retail sales.
- Estimates indicate that food retail sales in modern outlets carved out about 2 percent of sales (\$7.2 billion) in 2015 which is up from one percent in 2005.

Table 4: India: Size of Food Retail

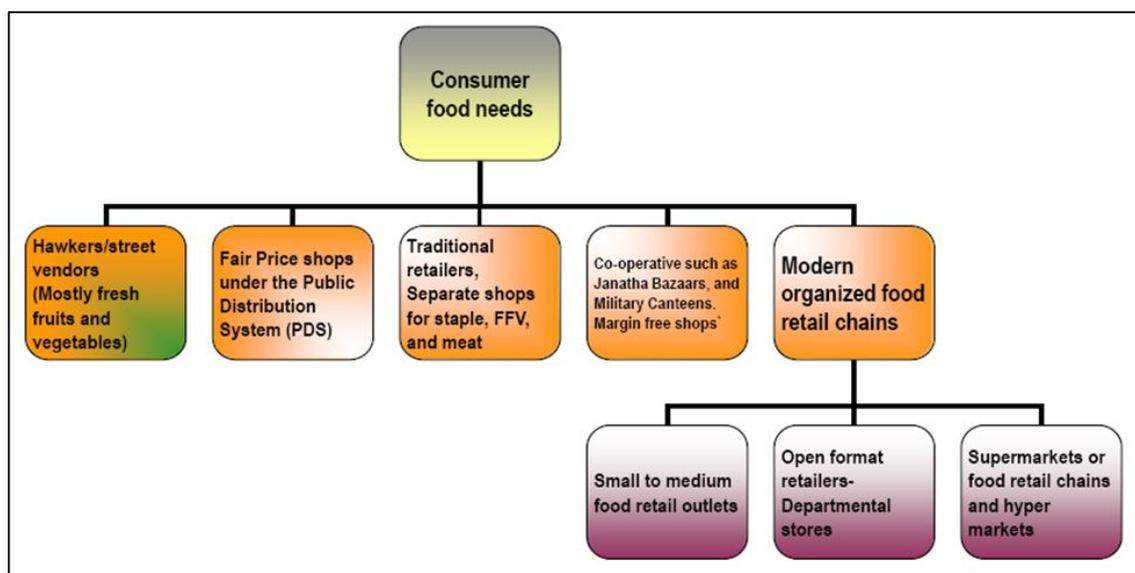
Size	Estimated size in 2015
Total retail (Food and Non Food)	\$ 600 Billion
Food Retail (Modern and Traditional)	\$ 360 Billion
Modern Retail (Food and Non Food)	\$ 36 Billion
Modern Food Retail	\$ 7.2 Billion

The food retail market includes the retail sales of both packaged and unpacked food both, as well as beverages.

Source: Anonymous (2015)

Growth & Status Tale: Food Retailing

Traditionally, Indians were used to buying their sugar, wheat, pulses, rice etc. from their neighborhood baniya. The majority of food and food products were and still are retailed through neighborhood kirana (baniya) stores. A typical kirana stores has a retail area of 200 sq ft and sells 500 to 800 stock keeping units (SKUs). The kirana stores focus on dry food products because the infrastructure for cold storage is lacking. The majority of fresh produce is sold from the carts of travelling vendors. Such produce is deemed to be of low product quality, variety and hygiene. This Food Forum India 2008, on the government's role in the food retailing development, Dave said, "The retail stores need to empower its stakeholders and deliver what the consumer wants. The vision for 2020 should be appropriate extension network, implementation of appropriate practice at farmers' level and infrastructure in the country."

**Fig 2:** Formats for Food Retailing in India

There are various factors paving the way to revolutionizing food retailing in India.

Among them few are:

- Changing life styles and tastes
- Growing need for convenience
- Increasing disposable income
- Increasing numbers of working women
- Change in consumption patterns
- Higher aspiration among youth
- Impact of western lifestyle
- Plastic Revolution – Increased use of credit cards and debitcards (Srivastava, 2008).

Drivers of Retail Market Growth

- **Supply Side:** Supply affects the growth of food retail market as the scenario is becoming favourable like infrastructure development, multi-channel marketing, easy credit availability and private labelling.
- **Demand Side:** Consumer related demand side drivers which include increasing urbanisation, increasing disposable income, raising middle class population, increasing youngsters, health consciousness, consumer awareness and changing preference, increasing travellers, international TV shows, food festivals and internet penetration.
- **Regulatory Side:** It is one of the major factor for growth in food retailing. FDI policy in "Multi-brand retailing" is regulatory driver.



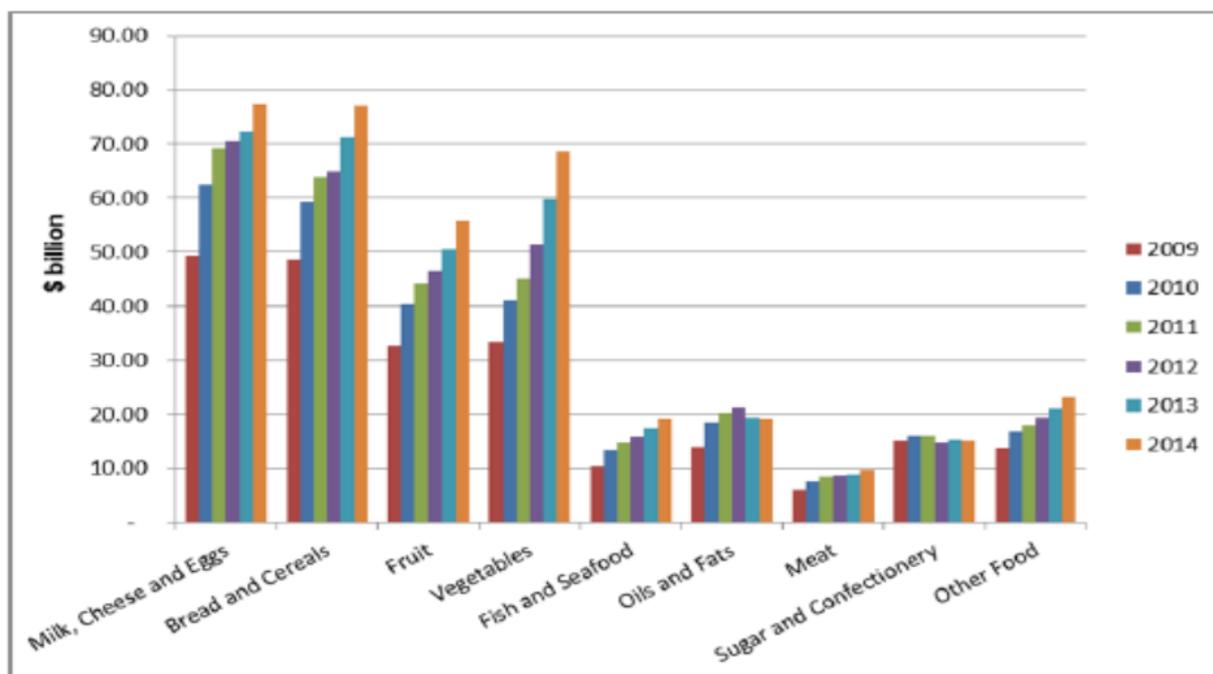
Source: NABARD (2011)

Fig 3: Phases in the Evolution of Retail Sector

Table 5: India: Growth in Consumer Expenditure on Major Food Categories, 2014

Categories	2014	2009-2014
	(U.S. \$ billions)	Growth Percentage
Milk, Cheese and Eggs	77.3	56%
Bread and Cereals	77.2	59%
Fruit	55.7	71%
Vegetables	68.7	106%
Fish and Seafood	19.1	82%
Oils and Fats	19.1	38%
Meat	9.6	60%
Sugar and Confectionery	15.0	-1%
Other Food	23.1	70%
Total	364.8	64

Source: Anonymous (2015)



Source: Anonymous (2015)

Fig 4: India: Growth in Consumer Expenditure on Major Food Categories during 2009 – 2014

Table 6: Projected Value of Food Retail (Rs Billion)

Year	Most probable	Pessimistic	Optimistic	Expected Forecast	Share in total retail
2009-10	11,338	10,695	11,980	11,273	60.4
2010-11	12,589	11,103	14,168	12,450	60.4
2011-12	14,005	11,544	16,793	13,792	60.3
2012-13	15,581	12,002	19,905	15,297	60.3
2013-14	17,333	12,479	23,593	16,988	60.4
2014-15	19,283	12,974	27,964	18,890	60.4
2015-16	21,453	13,489	33,144	21,029	60.5
2016-17	23,866	14,025	39,285	23,440	60.6
2017-18	26,550	14,582	46,563	26,158	60.8
2018-19	29,537	15,161	55,190	29,227	60.9
2019-20	32,860	15,763	65,416	32,696	61.1

Source: NABARD (2011)

Conclusion

The past 4-5 years have seen increasing activity in food retailing. Various business houses have already planned for few investments in the coming 2-3 years. Though the retailers will have to face increasingly demanding customers and intensely competitive rivals, more investments will keep flowing in and the share of organized food sector will grow rapidly. Organized food retailing in India is surely poised for a takeoff and will provide many opportunities both to existing players as well as new entrants.

References

1. Anonymous. 2015. India – retail foods. Available at < Anonymous. fas. usda. gov/.../Retail% 20 Foods _New% 20Delhi_India_12-28-2015....> Last accessed on 1st May 2016.
2. Acharya SS. Recent efforts towards agricultural marketing system improvements in India: Insights and oversights on what these imply. Indian Journal of Agricultural Marketing. 2012; 26(3):214-225.
3. NABARD. 2011. Organised agri-food retailing in India. Available at <rasci.in/downloads/ Organized _Agri_Food_Retailing_India_2011.pdf> Last accessed on 2nd May, 2016.
4. Srivastava P. Food retail in India- Growth, growth and more growth. Strategic Food Marketing Module. IIM. Vol. 2: 2008, 164-168.
5. Vishnu K, Kumar, P. Food retail chain as an alternate marketing channel in India. Indian Journal of Agricultural Marketing. 2014; 28(3):34-42.