Editorial

The Turbulence in the Retail Landscape

The cloudburst of a ceaseless controversy between the e-tail and retail trade following the unprecedented success of the mind boggling sales reported by the e-commerce giants like Flipkart, Snapdeal and Amazon has led to a trade war between the online versus the brick-and-mortar retailers. The retail landscape in the country was already experiencing tremors of the turbulence engineered by the outgoing UPA government 2 years back by allowing Foreign Direct Investment (FDI) in multi-brand retail in the country. Now, the fast emergence of the nascent, but, very large online retail players in the sector with galloping turnovers is at a feverish pace where the e-tailers have already been touching Rs. 300 billion, almost 10 percent of the overall organized retail market in the country, which is pegged at approximately Rs. 3.0 trillion. Organized retail has taken more than a decade to scale up to this level of 10 percent of the aggregate retail turnover in the country. But, e-tail might overtake it within 3-4 years. The neighbourhood retailers, almost 1.60 crore in number and employing more than 4 crore persons have indeed been experiencing the heat from both- the large scale brick and mortar retail, as well as from e-tail. It is going to pose serious socio-economic implications for the nation, as it might affect not only the 4 crore people employed in the unorganized-neighbourhood retail sector and their 16 crore family members, but, the small and medium scale manufacturers, selling their goods to these small players, besides the farm sector and the small transporters as well who would also be marginalised.

The frenzy of the shopping-hungry online buyers is so high that, Flipkart has claimed sales of $100 million in 10 hours and Snapdeal claimed turnover of a crore per minute. Though, FDI in e-tail or B2C e-commerce is not permissible, yet, the foreign players have begun to circumvent this, through the concept of a market place, where they are merely providing sales platform to others. Flush with investors' money, the e-tailers as a whole are posing serious threat to both organised retail as well as the neighbourhood retail. According to a recent TechnoPak report, e-tailing has the potential to grow more than hundred-fold in the next 9 years, to reach $76 billion or Rs. 4.71 trillion by 2020 by virtue of the country's growing Internet-habituated consumer base, likely to grow to 180 million broadband users by 2020, along with a burgeoning class of mobile Internet users.

The large groups of brick-and-mortar retailers like some of the big names in electronics, such as Sony, Samsung and LG and the Future Group, have even been accusing the online retailers of predatory pricing. Flipkart has been reported to have sold high-end phones even at 90 per cent discount. But, the discounts being offered by organised retail too, though not so deep, is enough to snatch ground from the neighbourhood retail posing a similar threat to the later.

India is one of the top retailing markets in the world along with the fastest growing online penetration at a rate of 60 per cent; so, e-tail is posing a threat to snatch ground from both organised as well as neighbourhood retail.

This war has dragged in the Commerce Minister, Nirmala Sitharaman as well, who has acknowledged the problem and also promised to look into it. But, whether the government would come out with an effective policy initiative in time to protect the neighbourhood retailers from supermarket chains as well as from the e-tailers by regulating cut-throat competition of such "discount sales" is to be seen. The government has to handle this turf war with requisite socio-economic concern where the Confederation of All-India Traders is agitated against the onslaught of the discount war of both e-tail as well as organised retail and has also been in the forefront of opposing foreign direct investment in multi-brand retail, along with e-tail. The traditional traders are facing the heat from organised retail as well, as they are selling at 10-15% cheaper at the supermarkets, in part because, they offer some staples as loss-leaders. Various associations representing the interests of India's 16+ million independent retailers are now under dual threat, from e-tailers as well as from the home-grown ones in organised retail. These associations though, till recently had been struggling against the multinational retailers, notwithstanding the fact that each of the top three home-grown organised retail groups, are also having revenues in excess of Rs. 15,000 crores in 2014.

India's current consumer spending on merchandise is about $525 billion or (Rs. 32.55 trillion). Just with a real GDP growth of 7% CAGR in the next 10 years with a consumer price inflation of around 6% CAGR, India's merchandise retail spending might touch about $1,100 billion (Rs. 65.10 trillion) by 2020 and is likely to cross above $2,100 billion (Rs. 130 trillion) by 2025. Additional drivers are legion to further augment this growth in retail consumption, with India's overwhelmingly younger population, coupled with the fast convergence of newer lifestyle aspirations across urban as well as rural youth and rise of dual (or multiple) income households. So the government has to devise the rules of the game for the three warring rivals on the retail turf viz. e-tailers, chainshop retailers and the neighbourhood retailers, for a judicious sharing of the overall retail landscape.

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