

Point-of-Purchase

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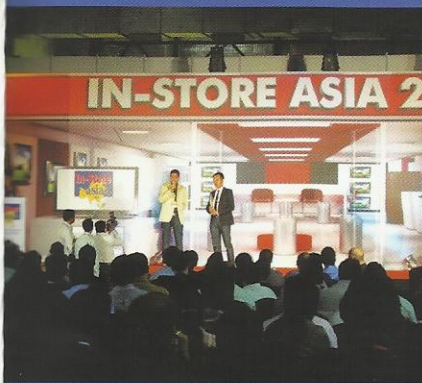


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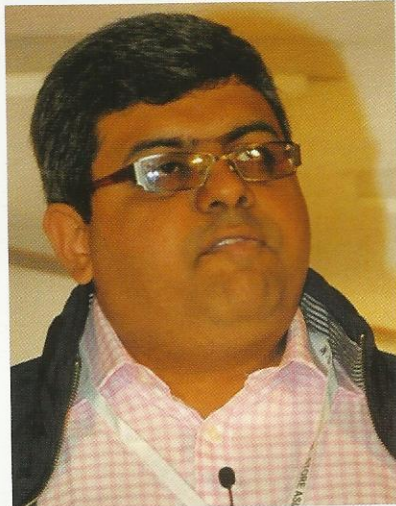
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FDI norm changes in Retail- Is India Inc. ready for it?



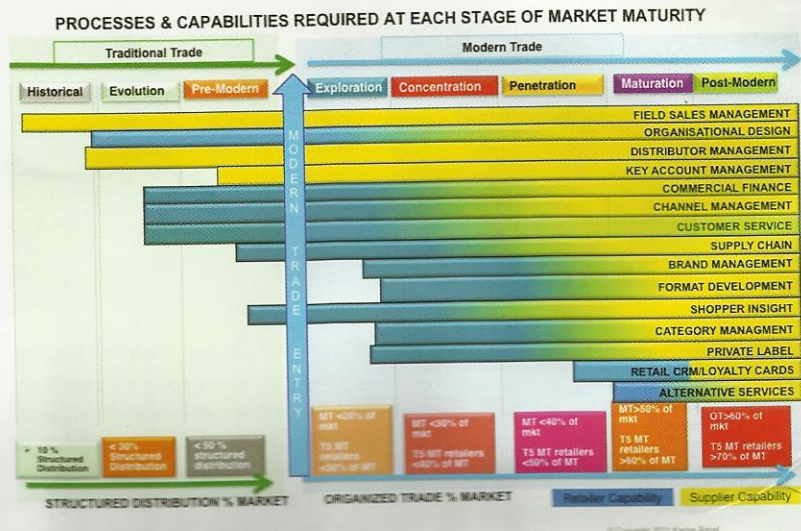
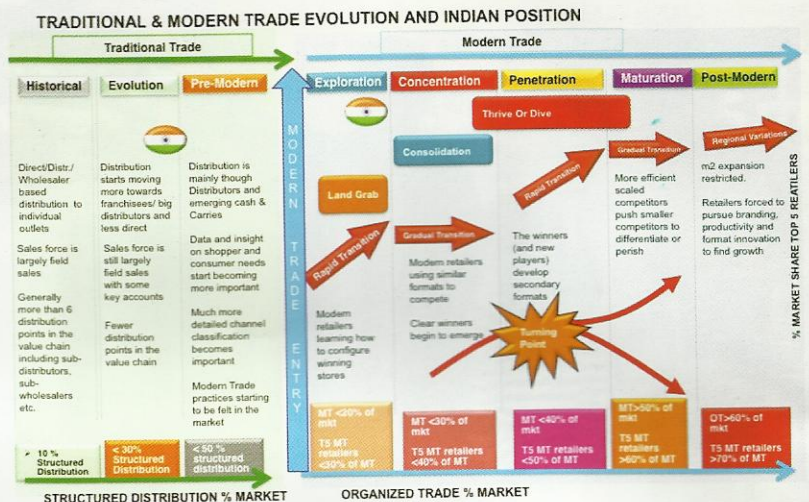
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India announced a much awaited cabinet decision on allowing 51% FDI in multi-brand retail and 100% FDI in single brand retail on 24/11/11. Since the announcement there has been great coverage from how wonderful to how disastrous this could be for India. On one end of the spectrum we see bullish projections of new job creations and value creation for farmers, industry etc.. And on the other end strong fears being expressed on the inevitable end of the Indian trader/small retailer.

In all this "hoorah!" and "Oh no!" have we asked ourselves one simple question:

"Is India Inc. ready for foreign led Modern Retailing?"

FDI led Modern retailing by the likes of Tesco, Wal-Mart, Carrefour and a lot of other multi-brand and single brand players does not only mean import of foreign funds, it also means import of new operational practices, buying practices, customer service levels and an overall new framework of processes and capabilities. This will mean that both the suppliers to these retailers and other indigenous retailers will need to have processes and capabilities that allow them to do business and compete with them.



Having been close to similar evolution in other emerging and mature markets, I try to present a view from the perspective of both retailers and suppliers of these processes and capabilities. These processes and capabilities are mapped to the evolution of Traditional and Modern Retailing to help us answer this central question.

So what is the current status and what needs to be done?

In my view the answer to the question of India Inc.'s readiness is "Not quite". Although some progress is there but still a long way ahead, which needs to start from understanding and appreciation of the processes and capabilities, required. Those who have seen the modern retail formats in matured and further developed markets either as a shopper

or as business partners would appreciate the stark difference in Indian Retail's current environment from something as basic as customer service to more mature practices such as category management, joint value creation with suppliers etc.

I believe it is extremely important for both suppliers and indigenous retailers to have an evaluation of their current processes and capabilities and form a view on the strengths that can be built upon and the gaps if any that need to be addressed

This should help ensure a strong level of preparation to deal with transactional and competitive challenges if and when this cabinet decision on retail FDI translates into reality in India's malls and markets ■