

# Evolving times

Traditional trade's biggest strength is also its biggest weakness.

By Praveen Someshwar

**W**e are some time away from becoming a modern trade dominant market, even with the healthy growth rate that this channel is seeing in today's times.

Traditional stores across the country are not only a resilient lot but they score over modern retail by their sheer proximity to the consumer. Traditional stores have multiple avatars that cater to all facets of a consumer's life – chemist, fancy store, kirana to a general merchant, with long standing relationships with their shoppers. For the price sensitive and the value seekers the wholesale markets and mandis promise affordability. The inherent business sense that has allowed the traditional grocer to stay in business for so many years is because he offers services like home delivery for the convenience seeking population.

## Adapting to new times

What we also see around us today are the new 'traditional' stores that have been inspired by the modern retail environment. These are newly renovated stores, well kept, stocking a wide assortment catering to the needs of the urbane Indian consumer.

Do shoppers treat these stores differently? Are FMCG companies servicing these stores any differently? How are these stores benefitting from the change that they have induced?

The shopper habituated by many years of visiting these outlets doesn't adapt to the self service mode but the

general appeal of the outlet increases with it catering to the more needs in a more conducive shopping environment. At the same time companies treat these retailers as the top end of traditional end and though they may currently be offering the same incentives as the rest of general trade, we can see this changing over a period of time.

## Stand alone modern retail

The larger phenomenon that has burgeoned across key cities is the stand alone modern retail outlets or the SAMT. These are not traditional stores garbed in modern clothing but are large stores created to offer all the benefits to the shopper that would make him visit a self-service modern retail format. The difference is in the level of operation. Since they usually operate on a single store model, these stores are able to customise their offering to the needs of the neighbouring community. They often take customisation a step ahead by catering to requirements such as fresh ground dosa batter to the shoppers. Fresh produce too is their stronghold and is procured from sources close to the store.

The stand alone modern format draws its strengths from traditional as well as the modern trade mindset.



Like the traditional store, their knowledge of the shopper and the relationship with them is strong and like modern retail chains they offer a large assortment of products in a shopping conducive environment.

As partner vendors to these stores, FMCG companies typically supply direct to the store. Since they do not maintain a Distribution Centre, they do not block off money in inventories. We witness quick decision making at these stores and the speed and flexibility of implementation is evident when new SKUs are listed and new promotions mounted in the store.

The reason which makes a SAMT successful and helps it keep track of the shopper's pulse is also its biggest disadvantage. Lack of scale and operating with a fixed customer base are detriments to long term growth of SAMT. Economies of scale do not work in their favour as they do for modern retail banners as they are not able to get the best deals. Expansion of modern retail banner stores in the same catchment can be a big threat.

The other big challenge is growing the business consistently over a period of time without increasing the customer base. Hence at the top end, SAMT gets squeezed by chain stores and are forced to offer the range and value that chain stores would. At the bottom end, they compete with the traditional stores that are as conveniently located, have a relationship with the neighbouring community and in some cases also offer credit to their shoppers.

In other markets like the Middle East, few have survived in this form – many have expanded or have just shut shop. The few who have survived have done so by catering to a particular segment of consumers where they have remained unparalleled on the convenience that they offer. In India too, the SAMT format will survive as long as they cater to the shopper's needs and requirements better than the others. ■



*Praveen Someshwar is vice president of bottling operations at PepsiCo India.*