

Where do we stand?

“The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is also the second largest industry in US in terms of numbers of employees and establishments. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth.

◆ Size of the retail sector

Most of the developed economies (US, UK, Canada, Germany, France, Italy and others) around the world have benefited enormously by liberalising their retail sector. This brings me to the big question –where does India stand in retailing?

India's retail sector, which accounts for about 9-10 per cent of the country's GDP, remains one of the least developed sectors in India. The estimated annual retail sales accounts for about US\$ six billion and is expected to reach US\$ 17 billion dollar mark by the year 2010, according to a study done by the Associated Chambers of Commerce & Industry (ASSOCHAM). According to some analysts, by the year 2010, the retail sector in India has the potential to reach US\$ 270-280 billion dollar mark. For this to happen, the government will have to bring about the required liberalisation in the retail sector, if India is to ever become a developed economy. Historically, the Indian retail sector has always been dominated by small independent players. But the recently organised, multi-outlet retail concept has gained acceptance and accelerated since then.

All major global players such as Wal-Mart, Tesco, Sainsburys and others are keen to enter the Indian retail market. Recently, the Indian government has hinted towards taking the necessary steps to liberalise the retail market in India. However, there are concerns being expressed by the protectionists in and outside the government. In my opinion, the time is just right for the government to push for liberalisation of the retail sector in India. If they are sincere about making India into a developed economy, the government should not miss this opportunity to create

millions of jobs throughout India, not to mention the boost to its overall GDP.

◆ What should the government do?

There are numerous ways the government can please the protectionist and bring about liberalisation. I think the licensing approach might be a good way forward. The license should be divided into three different categories—local, regional and national. This will help the government generate additional revenues to pay compensation or help in training people who are going to loose their livelihood. One has to keep in mind that the cost of training in the retail sector is minimal in comparison to other sectors since there isn't any significant cost involved.

◆ Benefits to the Indian consumer

One has to agree that the entrance of big players will ensure the higher quality of service and produce being sold to the consumers. There are other indirect benefits in terms of choice and pricing that will be passed along to the consumers, as these retailers will compete with each other for a greater share of the market.

◆ Benefits to the supply chain

Farmers and suppliers will be able to sell their produce directly to the major retailer and hence make more profit and have peace of mind with respect to payment. Big retailers might collaborate with farmers and suppliers and inject the much required cash to make sure the supply chain is efficient and strong. The case for liberalisation of FDI rules in the retail sector can't be any stronger. We can see the enormous benefits that it will bring to the Indian economy and India should pay heed to this or else we will be left out.”

The author is CEO of Delamore & Owl Group of Companies and the MD of Delamore Consulting, London. He can be contacted at sanjeev@delamoregroup.com

