

Learning's for Bangladesh from the World's Modern Food Retail Scene

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Introduction

Bangladesh is a relatively new player in the world modern food retail scene and we have a lot to learn and a long way to go. The future for the Bangladesh modern food retail industry is promising and it is also equally challenging. This article attempts to identify where Bangladesh is in the world in terms of the modern food retail scene in comparison to the rest of the world and what lessons we can take to grow the industry in Bangladesh. The term 'modern trade' is used to describe the super store business, as it is modern in comparison to the unorganized retail shops and the wet market.

The importance:

The importance given to the 'modern trade' is dependent on its share in the entire retail sector. Bangladesh's modern trade is only around 0.5% and is one of the smallest in the world. Developed countries in the Americas, Western Europe, Australia have a share in excess of 80%. It is around 50% in Thailand and many far eastern countries and around 15% in Sri Lanka. The larger the share the better the attention from suppliers and therefore growing the modern trade share should become the joint effort of the industry players. The formation of the Bangladesh Super Market Operators Association therefore is an important step in this direction. The more important step is to work together to grow the share of modern trade.

The benefit of growing modern trade

While there are concerns that modern trade can eliminate livelihoods of many small businessmen who operate corner shops it is important to look at the issue in a holistic manner, understand the benefits of modern trade and think of strategies to reduce. Why? It is a reality that modern trade will grow as it is a natural outcome of economic growth and globalization. When there is economic growth, the beneficiaries of such economic growth would have more disposable income. Such families will have exposure to new lifestyles through cable TV and internet. They start aspiring to experience such lifestyles and they at least feel that their children deserve to be exposed to such experiences.

It is not only the lifestyle that matters, growing awareness of health and hygiene issues, awareness of new and better products and brands, the desire to maintain the right social status, the need for respect and dignity that they seldom receive when they have to shop at the traditional wet market which comes with all the rude behavior of the vendors, under-weight of products and other discomforts are making more and more people move to the modern retail stores.

From an economic point of view, modern trade will become a catalyst in improving supply chain when suppliers as well as supply chain specialist start investing in up-to-date collecting, sorting, storing and transport facilities. The investments in cold/chill rooms, food preservation packaging, plastic crates and chilled transport etc helps the reduction of wastage that is estimated at around 35% and improvement of quality that can fetch a better price for all the players in the value chain. Sri Lanka made it mandatory

by an act of parliament for the use of plastic crates for the transportation of produce from farm to the shelf on the 1st of September 2011.

Therefore rather than trying to restrict the growth of modern retail, it is important to see how best it can be structured to meet the aspirations of Bangladeshi families while addressing the perceived negative issues that comes with any such change. India for example did not allow global retail chains to establish retail outlets but they allowed them to come into the industry to support supply chain, wholesales etc. Such strategies need to be recommended by BSOA for the consideration of the government. Bangladesh has banned the use of poly bags and as such all supermarkets have moved to the use of cloth bags. This is a very expensive alternative putting pressure on businesses. India allowed the use of poly bags but this year they made it mandatory for supermarkets to charge for the poly bags to encourage customers to bring back their shopping bags, in order to reduce the impact on the environment.

The ingredients

There are many ingredients for the success of modern retail and I will attempt to highlight them with relevant learning's from the international modern retail scene in this article. Thereafter I will attempt to extract the learning's relevant to Bangladesh. The important ingredient for the success of modern trade includes understanding and converting customer shopping habits, deciding on the right concept for the retail chain, selecting the right locations for outlets, deciding on the right size and format for each location, selecting the right product assortment for each format/location, reliable suppliers, a robust supply chain, reliable IT system, building the brand, attractive promotions, professional management and dedicated team members who can provide a superior customer service.

Understanding and converting customer shopping habits

Success of a modern retail chain depends on the ability to understand the shopping habits of customers and their frustrations in a given market. Once this is fully understood the concept of the offering should be designed to overcome the frustrations of the customers while ensuring the company has a good return on investment.

Deciding on the right concept for the retail chain,

This is a challenging exercise for many retailers, especially new entrants as the margins in the modern retail business is very low and the investment in providing a reasonable level of product and service offering is very high. Some of the retail chains in India invested very little in the perishable sector such as fish, meat, vegetable and fruits as they left this segment to be served by the wet market. On the other hand the United Arab Emirates ensures that most of their modern retail outlets are hyper markets, providing the required infrastructure for the sale of perishable to consumer durables and everything in-between. Sri Lanka and Bangladesh went somewhere in between these two extremes.

Selecting the right locations for outlets,

Once the concept for the modern retail chain is agreed upon, it is important to find the right locations for the outlets. Dubai has moved with the concept of having all their modern retail outlets in Hypermarkets given the high level of heat most of the year. Shoppers would love to get into a mall and do all their shopping, eating and entertainment. The United States went with the concept of stand-alone outlets in a compound of restaurants, entertainment and various utilities in relatively deserted suburbs thereby creating townships. This model works where there are large spans of productive land supported by excellent road systems and utilities.

Deciding on the right size and format for each location,

A decision that needs to be made hand in hand with the selection of the right location is the size and format of outlets. Modern retail can start from a 700 sq ft express outlet such as 7 Eleven to a 200,000 Super Center such as Wal-Mart. In between many formats are found and it is generally seen that company's focus on food and daily household requisites in the small formats up to about 10000 sq ft and thereafter start adding other departments such as apparels, shoes, consumer durables, furniture etc. The food based modern retail outlets in Bangladesh have not grown beyond 10,000 sq ft. Other retail chains for apparels, shoes, furniture, household durables etc have significantly grown. Perhaps the reason these are not clubbed into a Hypermarket could be the lack of road and rail infrastructure to bring customers to such locations. The modern retail trade started booming in Bangkok after the completion of some of the metro rail network; Dubai connected all its malls with their metro rail network. As Bangladesh starts to embark on such development project the growth of the modern retail sector becomes eminent.

Selecting the right product assortment for each format/location,

The selection of the right product mix for each format / location becomes very vital. Modern retail management has evolved to the introduction of category management which is essential to have the right product mix to suit each outlet based on its concept, format, size etc. that is determined by the customer group, which is to be served by the outlet. While large chains such as Tesco and Wal-mart have a highly developed category management structure, retail chains in South Asia are in the development phase.

Reliable suppliers and a robust supply chain,

All the planning and preparation described earlier will be in vain if modern retail is not supported by reliable suppliers and a robust supply chain system. The developed markets in the west are blessed with well-developed companies for the supply of all items from perishables to consumer durables. However, in this region the perishable product deliveries are largely done by unorganized, small and medium enterprises. The meat industry in Sri Lanka is well supported by professionally run meat processing companies such as Keels Foods, Cargill's and Bairaha Chicken. Bengal meat and BRAC Chicken in Bangladesh has up-to-date meat processing facilities. The rest of the perishables and some other areas of supplies need support and development.

Reliable IT system,

Supporting all of the above activities should be reliable IT systems that should enable excellent availability, fast service, reliable information and robust controls. It is not only investing in a world-class IT system but more importantly making the best use of it. The world's leading ERP providers such as SAP and Oracle have invested in the retail business and they run the IT systems of Wal-Mart and Tesco respectively and many more modern retail chains around the world. A separate IT system is needed to support the front end of retail outlets; Wincor Nixdorf and IS retail are leaders in this software used by many retail chains.

Building the brand,

All of the above activities directed by professional management and dedicated and passionate team members will lead to the creation of a strong retail brand. Having a strong retail brand becomes one of the best returns on the investments any company would make in the retail industry.