

Shopping Malls & Consequences On The Human Rights Of Small Traders In NCR Delhi

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THE INDIAN RETAIL SCENE

The Indian Retail Industry is the largest among all the industries, accounting for over 10% of the country's GDP and around 6-7 per cent of the employment.

Table 1 : Indian Retail Scene			
	2006 (\$ per annum)	2010 (\$ per annum)	2015 (\$ per annum)
Market Size	300 billion	427 billion	637 billion
Market Size (Organized Retail)	9-12 billion	2011 (60 billion)	
Penetration (Organized retail)	3 to 4%	5%	10%
Annual rate of growth (Organized retail)	35 %		
Number of retail outlets	12 million		
New Investment	US\$ 30 bn (2011)		
No. of persons employed (total)	21 million		
No. of new jobs in next 2 years	2 million		
Typical space per outlet	100-500 sq.ft.		
Space occupied (organized retail)	35 mn sq.ft.		
Operating Malls (2007)	114 (35 mn sq.ft.)		
New malls under construction	367 (117 mn.sq.ft.)		
New space distribution	65% (top 7 cities), 35% (tier II & III cities)		
New space distribution (among top 7 cities)	NCR 34%, Mumbai 23%, Rest 43%		
(Source: India RetailBiz [6])			

India has the highest number of retail outlets per capita in the world, but has the lowest retail space per capita in the world (2 ft / person). Out of these 5 million outlets, 96% are smaller than 500 sq. ft [13]. There are about 12 million outlets in India's 3700 designated towns and more than 6, 00,000 villages, nearly 5 million sell food and related products [13]. About 350 million people live within one-minute walking distance of these retail shops. Traditionally, kirana stores have been acting as a family's livelihood, with the shop in the front and house at the back, while they run the retail business.

Retail chain stores are springing up in urban areas to market consumer goods to the middle-class consumers in a much similar style as malls around the globe. As India moves towards the service-oriented economy, a rise in this percentage is expected. The number of organized retail outlets is growing 35% annually in the urban areas, and in towns with population between 1, 00,000 to 1 million, the growth rate is about 4.5%.

According to A. T. Kearney, retailing accounts for \$ 410 billion and organized retailing accounts for only 5 percent of the market [1]. The retail sector is also expanding at a rapid pace, and is expected to grow from its current \$350 billion to \$427 billion by 2010 and \$ 635 billion by 2015, and organized retailing is to touch 10 percent [1]. This has been driven by changing lifestyles, strong income growth and favorable demographic patterns. Mall space, from a meager one million square feet in 2002, was expected to touch 60 million square feet by the end of 2008 [7].

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TRADITIONAL KIRANA STORES (MOM & POP STORES)

The retail sector in India is highly fragmented and mostly owner-run “*Mom and Pop*” outlets. The entire sector is dominated by small retailers consisting of local Kirana shops, general stores, footwear and apparel shops, hand-cart hawkers and pavement vendors. These together form the “*unorganized retail*” or “*traditional retail*”. According to the Investment Commission of India (ICI) estimates, there are over 15 million [9] such “*Mom and Pop*” retail outlets in the country. In terms of total sales, one can find a wide range of estimates, and this definitely reflects lack of sound official government data. ICI had estimated Indian retail sales figure at US\$262bn for 2006, although market estimates ranged from US\$200bn to as high as US\$386 bn [9] for that year. Various agencies have made efforts to project the growth rate of the total retail market until 2013, and the figures hover around 13-15.5 percent [9].

These stores are the small, friendly neighborhood stores, which have been offering customized services to their customers. These stores are located in different areas and are of different sizes and have the following salient features:

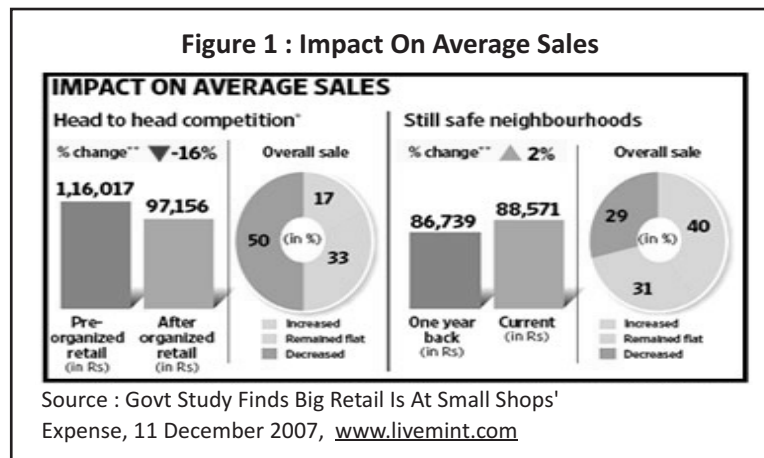
- ✿ The product range varies from store to store due to the constraints of space, stocking well-known brands, which have greater demand among customers. However, most of them wanted to increase the variety of products available in their store.
- ✿ In addition to groceries, many of them sell other items like stationery, imported food articles, audio cassettes, cold drinks, ice creams etc.
- ✿ All of them have a higher percentage of regular customers than walk-in customers. The regular customers are from the nearby areas, but some of the stores claim to have customers from far-off areas too. New customers are usually generated through word-of-mouth.
- ✿ The owners decide on which brands to stock according to the preferences of their customers and estimate the amount of goods to stock according to their periodic sales figures.
- ✿ Most of them intend to expand their stores if given the opportunity to do so; however, they lack the finances and the space to expand. Some of them believe that a shop located on the main road would have more sales. The remaining said they were satisfied with their business volumes and in addition, they did not have the time to look after a bigger store.
- ✿ The regular customers visit their store due to owner-customer relationship and the customer loyalty factor based on better customer satisfaction, providing fresh and quality products at a reasonable price.
- ✿ All these stores provided free home delivery to their customers and have a credit period ranging from 15 to 30 days.
- ✿ Different stores perceive the threat of supermarkets differently. Though all of them felt that supermarkets would adversely affect their business, most of them still believed that the effect would be marginal.
- ✿ On an average, these stores remain open from 8 in the morning to 11 in the night. Most of them also remain open on Sundays, at least for half a day. There are some stores, which remain open even on holidays.

CAUSES OF CONCERN FOR SMALL TRADERS/ MOM AND POP STORE OWNERS

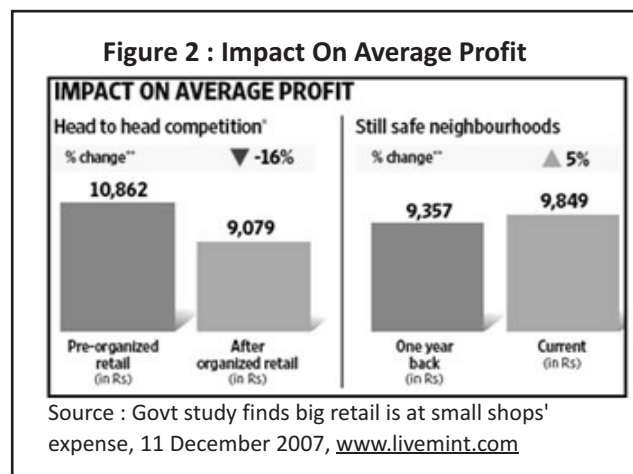
With the change in lifestyle and consumer buying habits, convenience has become a key factor. Shopping for a consumer has become an activity, and the consumer combines it by spending more time with his family and also enjoying with them in a better ambience. However, a good ambience is only available in Shopping Malls, which are enclosed spaces and have an air-conditioned ambience with a cleaner atmosphere. At Malls, consumers also do not have to worry about the parking space. The Shopping Malls have shops of all sizes and budgets in various formats (discount stores/ exclusive outlets), food courts, multiplexes and fun centers to have a worthwhile fun experience together with the whole family. On the other hand, in a shopping street like Lajpat Nagar, South Extension (in Delhi), the consumers are more worried about their security, and they also have to deal with parking hassles. The market ambience is bad with choking roads and haphazard traffic that double as pedestrian walkways, shoddy drainage systems and nagging power shortages. There is chaos all over, with hawkers and shopkeepers occupying the leftover place. This adds to the woes of customers, who are there to shop in a temperate climate, which is more hot and humid and the shoppers are also at risk while walking around in heavy traffic, with children. Such crowded markets are accidents waiting to happen. After witnessing the reduction in footfalls, many of the outlets have lined up discount schemes, promotional SMSes, gift coupons and frequent ads in a bid to lift the dipping sales. But the future lies in the Shopping Malls.

MALLS : A THREAT TO SMALL TRADERS/ MARKETS & THE HUMAN RIGHTS ISSUES EMANATING THEREOF

The biggest threat with the advent of large malls has been to the small traders. The biggest recent example to be cited is the Sector 18 market (*Atta Market*) in Noida, once quite a bustling shopping square drawing hordes of people, which now bears a deserted look. It has, for its immediate neighbor, the largest mall in town – The Great India Place (GIP), which has casted a big halo around the market. The footfall in the Noida Sector 18 market, after the opening of GIP, has plummeted by 60 percent. Consumers today are more attracted by the allure of an all-under-one-roof experience of both shopping and window experience, which is very strong. The consumers are more attracted by the sparkling displays and the air-conditioned interiors. GIP being a million square feet destination has the hypermarket, Big Bazaar, to net even the budget shoppers besides luxury and mid-range brands. ICRIER conducted the Retail Landscape Surveys for Ministry of Commerce and Industry [14], to ascertain the effect on small retailers by the entry of the organized retail chain in four cities - New Delhi, Kolkata, Hyderabad & Ahmedabad. The Surveys covered 1598 small retailers, of which 798 came under the category of “*head to head competition*” (facing competition from one or more retail chain) and the remaining 805 retailers under “*still safe neighborhoods*” (who do not have competition at present). The study also conducted a survey of 500 consumers who shop at both small as well as branded retailers [10]. The survey revealed that the average sales of the small retailers who are facing competition from the organized retail industry decreased by 16 per cent and were the worst hit by the promotions and discounts given by them (see Figure 1) [10].



The study also stressed the impact upon the profitability of petty retailers under the two categories (Figure 2) [10]. This reveals an even wider gap between the small retailers operating under two different conditions. While the retailers in “*head to head competition*” experienced a 16 per cent fall in their average profits, like their sales; the other category



of small retailers saw their profits increase by 5 per cent over the last one year.

But this is not the only cause of concern for the traders who are getting hit by the emergence of shopping malls at more destinations in NCR, where they are taking full advantage from the disadvantage of crowded main street shopping streets where parking is a problem, and movement is a big risk for the consumers.

A small sample survey of the impact of malls on small shops and hawkers in NCR Delhi done in Saket, Noida, & Gurgaon points to a decline in sales of groceries, fruits and vegetables, processed foods, garments, shoes, electronic and electrical goods in these retail outlets, ultimately threatening 50 percent of them with closure or a major decline in business. Only 14 percent of the sample of small shops and hawkers have so far been able to respond due to the competitive threat of the malls with the institution of fresh sales promotion initiatives.

Not only this, with the advent of big players like Reliance Fresh in the sales of vegetables through discount formats, more and more vegetable sellers have started raising their voice by agitating outside these big stores as their sales have been hit by the low prices being charged through bulk buying by these big players. The small vendors feel that these big houses must not enter their domain as the small vendors (who procure the vegetables daily and sell the same) will not be in a position to provide the consumers better prices as compared to these big houses with lots of finances, who are present to make a killing in all markets around the country by providing convenience and better ambience with low prices for their vegetables. These aspects have resulted in major human rights issues, where the vendors and small traders are facing a threat to their existence by the closure of their business and can't combat the pressure of competition by these big houses. They have even gone on a rampage by mass agitations as they don't find a way to come out of this problem. Various state governments of West Bengal/ U.P have come out openly in favor of these small sellers and traders, leading to closure of the big retail shops.

But, is this a solution to this grave problem? Is development not the right way of ushering a new era for consumers and shopkeepers? However, development must not be at the cost of other's existence.

REMEDIES

According to Mr. Rajiv Kumar, Director, ICRIER, organized retail will not kill the local Kirana shops, but it may affect them adversely. However, to survive the declining sales and profits, these small Kirana stores have started adopting a number of offensive and defensive measures like improving store displays and increasing the number of brands to increase competitiveness; others have been forced to cut back on expenses and staff and sell at lower prices in an effort to compete with the larger retail chains. The ICRIER study also recommends the extension of cheap, institutional credit to the unorganized retail segment as an effective measure to offset the initial negative impact of the large retail chain outlets on the local retailers.

According to a report prepared by Thomas Reardon and Ashok Gulati, co-directors of 'Markets in Asia' - a joint program of International Food Policy Research Institute (IFPRI) and Michigan State University (MSU), experiences in China and Indonesia suggest that both Kirana stores and organized retail outlets can co-exist, although they will grow at varying rates. Some structural changes are, therefore needed, which will surely start affecting large numbers of small retailers at some stage, be it after one or two decades, especially when the overall share of organized retail in food reaches about 25-30 percent. Until then, organized retail could grow at 20-40 % and Kirana could grow at 2-5%. The report also suggests an inclusive model for organized retail, where big stores can opt for several Kirana stores and hawkers drawn from the pool of traditional retailers and upgrade them with adequate infusion of capital and training. However, traditional retail is typically in need of modernization and the Indian government needs to invest in this the way governments in Singapore, Hong Kong & Taiwan have done to overhaul the system, say in the case of modern wet markets, according to Reardon's report. It also says that organized retail is a growing source of taxes to the government, which can be ploughed back to modernize traditional retail and build infrastructure to modernize the food supply chain.

CONCLUSION

The situation, therefore, has got many angles, and therefore, we must analyze every aspect and look at the plight of the small traders and shopkeepers, who don't want to exit their business in which they have experience and proficiency since long. Exiting will further add to their woes and even threaten their very existence as their present business is their only source of livelihood. So, the only way left is help by the Government in providing them low cost of capital and

providing them training for better marketing as well as inventory management as per the area in which they are operating. They must keep high movement items required by their market segments and change their product mix as per the consumer/ market needs/ requirements, especially those perishable/FMCG items which are required fresh/ have a low shelf life, and they have an edge / compatible in prices as compared with the Shopping malls/ big retail houses present in the area. They can also fine-tune the product mix through adding telecom products in their shops/ creating Local /STD/ISD counters and also selling telecom connections/ pre-paid/post-paid cards.

The big players must also provide a helping hand by providing partnerships and training to these small traders, so that they can either become their franchisees/ provide them supplies on wholesale, so that they may be in a position to counter the prices charged by big chains who have better supply chain and bulk buying/ better inventory management. Even the government must let the cash-and-carry counters run by the big players because the small traders will be able to procure merchandise and products at competitive wholesale prices.

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