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Why should the consumer sacrifice?

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Consumers in India suffer unhygienic experiences, erratic price and irregular availability in daily food and FMCG products. Small farmers are suffering the middleman who's depriving them a fair price. Political opponents to allowing FDI (foreign direct investment) in multi-brand retailing are shouting that mom&pop stores need protection and consumers will be cheated with high prices. Is that really so?

India has allowed 100 per cent FDI in lifestyle sectors such as automobiles and consumer electronics among others. That's raised consumer choice and desire levels sky-high. Speedy foreign motorcycles and cars are dangerously dashing down appalling road infrastructure in urban and rural areas. Consumers are flouting traffic norms, hiking up fatal accident rates. Before allowing this FDI, did the government first secure the roads, safety and traffic control measures? Did political parties make a noise then? Yet when consumers and farmers would gain price advantage rather than remaining in the sacrificing dock, some political parties are barricading FDI in multi-brand retailing. Of course, the powerful trader middlemen will be eased out when this happens, is that the stumbling block? Countries like China, Vietnam and Chile that initially hesitated but have since opened 100 per cent FDI to multi-brand retailing are today enjoying the investments, job creation, introduction of technology and infrastructure. Consumers are benefiting from better pricing, better quality. As per Chinese analysts, entry of Walmart and Carrefour has changed the way Chinese companies manage business. Local Chinese retailers like Shanghai Bailian group, Suning, Gome and Dashang still dominate the retail market as they've quickly learnt how to set up new supply chain systems. In fact small retail outlets have risen in China from 1.9 million to 2.5+ million since 2004. US market researcher RNCOS has projected that Vietnam's retail market sales will increase from $39 billion in 2008 to $85+ billion by 2012. In 2009 alone, FDI in Chile was $6.21 billion. Similarly Argentina, Brazil, Indonesia, Malaysia, Russia, Singapore, and Thailand have allowed 100 per cent FDI in multi-brand retail since 1990s. According to a Columbia University study, 10 years after Indonesia opened FDI, small traders continue to retain 90 per cent of the business.

The large majority of farmers in our agrarian economy own just two acres per family of about seven members. They barely generate Rs 50,000 per year, input costs can reach Rs 30,000. Poverty deprives them of transportation means, so they're dependent on intermediaries to sell their produce. In a bumper harvest, wholesale market prices dip drastically, leaving the farmer unable to recover his cost.

For a kilo of tomatoes, farmers in Barpeta, Assam have even got only 50 paise, whereas Guwahati consumers buy that kilo at Rs 25. Farmers may even jettison unsold produce, as carrying that home would entail transportation cost. Both farmers and consumers lose here, the chain of middlemen dealers from farmer to consumer clearly wins. No government has resolved unemployment, so common people set up mom&pop stores as a route to survival. The Government grants their licence, but without establishing any inspection system. Take the case of edible oil where about 68 per cent is unbranded and sold loose. Mom&pop stores are a kind of godown for simultaneous stock-and-sell. Unhygienic conditions prevail in a large number of mom&pop stores. The poor consumer becomes the victim when there are no mandatory checks on quality standards. Unlike organised retails where you can interface what you buy, mom&pop stores actually exercise an anti-democratic consumption pattern. Manufacturers spend excessively for brand promotion, but consumers are always dependent on the counter salesman's recommendation at mom&pop stores to get the product.

Organised multibrand retails, particularly hypermarkets invented by the French, have the extraordinary mission of benefiting consumers through lower cost, higher quality. Economies of scale make this possible. Large retailers go directly to the source. Here the farmer, retailer and consumer all benefit with competitive pricing. In the West, such retails became gigantic only because consumers defended them. From the 1980s, when retailers found that manufacturers were continuing to raise prices for their own interest, they challenged them with the "private label" concept. Retailers created private label brands and offered them to consumers at 30 per cent lower cost from national brands. Consumers found no quality deficiency here and lapped them up. The result is that FMCG category private labels comprise nearly 60 per cent market share in developed countries.

Like several developing countries did, India will gain from 100 per cent FDI for multi-brand retailing as it's the biggest sector for the economy's growth. A new hygienic discipline will be put in place for everyday consumption products. Consumers will enjoy outstanding choice, competitive pricing of national and international brands, highly discounted private label pricing and a regular loyalty program. Small farmers will get a fair deal in directly selling to retailers. Retailers will have massive control over short duration perishable products. Current mom&pop store employees with their acquired knowledge of retails will get better jobs in organised retails. Intelligent mom&pop store owners will learn how to convert to elegant convenience stores. Their standard will improve, they'll not be wiped out.

Consumer demand is so high in developed countries that industry, government and politicians cannot ignore it; they have to respond in accordance. Actually it's not only manufacturer magnanimity that offers consumer benefit, pressure from consumers has ensured that consumer benefit becomes the bottomline in retailing. The time has come for Indian consumers to stop sacrificing and start demanding. Let's enjoy 2012 with 100 per cent FDI in multi-brand retailing, freedom of choice and spend less money at the multi-brand retail.

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