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Steve Bertamini
Group Executive Director and CEO
Consumer Banking, Standard Chartered



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Carrefour in India A wholesale invasion

A French supermarket chain takes a bet on India

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Kirana, open all hours

ANAND GUPTA'S small and dimly lit-grocery shop in a middle-class Delhi neighbourhood does not allow customers much of a look at its crowded shelves. It stocks a range of dry goods, but little variety: a single brand of rice, one of flour and three of shampoo. Mr Gupta has no till and does his stocktaking in pencil. His grandfather, who opened the shop in the 1940s, would notice only one change: that the daily delivery is made by lorry instead of a fleet of bicycles and bullock carts.

This is how most shopping operates in India, where "organised" outlets (supermarkets, hypermarkets and department stores) account for just 5% of the \$450 billion retail market. The rest is done in tiny mom-and-pop, or *kirana*, shops. But that is beginning to change, as big retailers try to cash in on what AT Kearney, a consultancy, last year called the leading emerging retail market. Robust economic growth, a fast-expanding middle class and mushrooming malls all help organised retail to boom. The latest retail giant to arrive is Carrefour, which will open its first outlet in Delhi in July, with more shops scheduled for other cities this year. The French firm follows Wal-Mart, the world's biggest retailer, which last year opened its doors in Amritsar, in northern India.

Carrefour has waited nearly a decade, deterred by restrictive laws that let foreigners invest only in single-brand stores, in which they can own a 51% stake. Thus, far from serving the *kirana*-bound customers whom it wishes to reach, Carrefour will be limited to a cash-and-carry model, selling to hotels and restaurants. Yet it hopes that this will soon change and talks of the investment climate improving. Others concur. Raj Jain, Wal-Mart's local chief, envisages opening a dozen more stores in the next couple of years. "There are much more positive noises in government than there were even a year ago," says Rajiv Kumar, head of ICRIER, a local think-tank.

The government has kept foreign retailers at arm's length in an effort to protect millions of shopkeepers and their suppliers. Protests erupted across the country in 2007 when Reliance Industries, India's biggest company, tried to set up a network of supermarkets. So the government asked ICRIER to gauge the impact of the organised sector. It found that the arrival of a formal retailer caused sales in nearby small shops to drop by 23% within one year. But five years on the small shops were broadly back where they had started.

In any case, big retail is moving in. Godrej, a consumer-products firm, is expanding its network of Nature's Basket delicatessen-type stores across several big cities. Tata, with technical support from Britain's Tesco, has opened Star Bazaar supermarkets. Bharti Enterprises has a similar deal with Wal-Mart for a chain of Easy Day grocery stores. Department stores and book chains are springing up, without obvious protest. As domestic retailers flourish, foreign ones are keen to get a toehold.

Small developments are making it slightly easier for them to do so. The price of renting commercial property has dropped by as much as 40% since 2007. Foreign firms are learning from domestic retailers with which they form joint ventures. Some reforms have helped: the tax system has been made slightly simpler, and retailers may now buy products direct from farmers.

But not all obstacles are gone. Bad roads, unreliable power supplies and other infrastructure problems will take a long time to fix and require expensive solutions. Domestic retailers have been frustrated by the simple task of getting the right quantities of products to their shelves. The deep pockets of the multinationals may be needed before European-style hypermarkets truly arrive in India.

Business

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