

# PALLAVI SRIVASTAVA

Pallavi Srivastava started her journalistic career in 2003 as an Audience Research Coordinator at NDTV. She then freelanced with The Future Times and [indiantelevision.com](http://indiantelevision.com) before joining the Research wing of CNBC TV18. In 2006, Pallavi joined Business Today as its Principal Correspondent. She is currently working with CNBC TV18 as a Senior Correspondent. Within a short span of five years, Pallavi has had the opportunity to work with both print and electronic media. She did her Diploma in Journalism and Communication at Amity School of Journalism, Noida.

Pallavi won The PoleStar Award for 'Best Feature in Business Journalism' for 2007 for her article, 'Kiran's Strike Back', that appeared in Business Today.



## KIRANAS STRIKE BACK

In possibly the first experiment of its kind in India, some 3,000 mom-n-pop stores in Rajkot, Gujarat, have come together to take on modern retailers. There's no guarantee their initiative will succeed, but without it, their failure is almost certain.

Driving into Rajkot's Dharmendra road, a down town shopping area, from Ahmedabad on a recent afternoon, one doesn't expect to see too many people in the streets. For one, Rajkot is a relatively small town (population: 1.35 million). For another, it's a weekday. But there's a third reason, and the one that has prompted me to come all the way from Delhi: Rajkot's traditional retail formats (for the sake of simplicity, I will be referring to them as kiranas, or neighbourhood stores) are under attack, and, no prizes for guessing, the culprit is modern retail.

At this point in Rajkot's history, modern retail boils down to just one mall,

the Iscon Prozone mall, anchored by Kishore Biyani's hypermarket chain, Big Bazaar, and lifestyle store Pantaloon. There are other retail chains as well, including Subhiksha and Adani (now part of Reliance Retail), but these entered the city only last June. Therefore, to say that the 400-year-old city's mom-n-pop retailers are under attack may sound like a lot of exaggeration. But talk to the small retailers, and they will tell you-besides pointing to the empty streets-that they can already see the writing on the wall. "My shop is 40 years old and we sell utensils and crockery of reputed brands like La Opala, Borosil, Coral, and Diplomat. But ever since the malls started selling cheap Chinese crockery and smaller brands that had never entered the city



**The big competitor: Big Bazaar at the Iscon Prozone Mall**

before, my sales are down more than 20 per cent over the last six months,” laments Nayan Kotecha, a 29-year-old who mans his family store in Dharmendra market. With more retailers headed to Rajkot (see Destination Rajkot), Kotecha and his peers have plenty to worry about.

But then, don't forget that this is Gujarat (Rajkot is about 218 km from Ahmedabad) and home to some of the savviest business communities in the country. So, far from rolling over and playing dead, Rajkot's kiranas, some 3,000 of them, are coming together to take on modern retailers at their own game. A brainchild of Rajkot Chamber of Commerce & Industry (RCCI) President Hitesh Bagdai (who, in turn, roped in Delhi-based consultancy Technopak to devise a strategy), the Rajkot experiment is both ambitious and unique. The plan is really simple: Create an umbrella association under which Rajkot's fragmented retailers can rally around and start becoming more organised in terms of how they buy and sell and how they manage their inventories and customers. “I think the Chamber is on the right track and if survival means getting together and spending a bit more on marketing, I don't mind it,” says Kotecha.

A question of survival it is, as Bharat Thakkar, owner of Options, a four-storeyed branded-goods store in Rajkot's Tony shopping district, Dr Yagnik Road, has discovered. Come March 31, Options, Thakkar says, will see a 10



### **GETTING ORGANISED**

**If you can't beat 'em, join 'em, say Rajkot's kiranas.**

- **The Front-end Plan**

All the 3,000 small-time retailers plan to rally under one shopping mall or complex, and offer modern facilities such as food courts, ATMs, and entertainment (gaming)

- **The Back-end Plan**

Do collective buying to increase the negotiating powers of small retailers vis-à-vis the bigger, modern retailers

- **Wooing Customers**

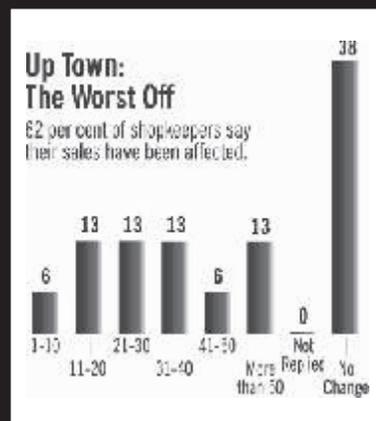
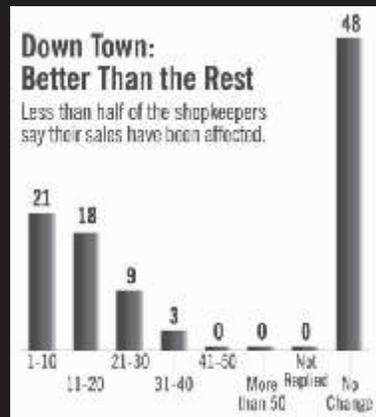
Offer same quality, hygiene and service levels as modern retailers, while continuing to do things like home delivery

- **Sharing Logistics**

To reduce infrastructure costs, create common warehousing facilities, database and connectivity, besides common parking facilities

## FEAR THE MALLS?

So far, shopkeepers in key shopping districts haven't seen their sales get hit because of malls-of which there's only one in Rajkot.



Figures in percent

Source: T.N. Rao College of Management Studies, Rajkot

## DESTINATION RAJKOT

A handful of malls are to open in the city by the end of 2007.

- Iscon Prozone Mall  
Operational, 170,000 sq. ft  
(Pantaloon and Big Bazaar)
- Reliance Mall  
200,000 sq. ft
- Crystal Mall  
150,000 sq. ft (Anchor: Croma)
- Iscon Mega Mall  
200,000 sq. ft (Westside)
- Ozone Mall  
100,000 sq. ft (PVR)

per cent drop in sales over last financial year. The store's in-house merchandiser says that he has had to change his sourcing points, as his customers have become more brand-conscious with the advent of big retail in the city. In fact, apart from losing customers, Thakkar has lost employees as well to the bigger retailers. Others tell similar stories. "With diminishing sales, I have almost halved my sourcing and even removed the HLL Super Value scheme and started keeping locally made products to supplement my income, but I am sure that with the Chamber's help, small grocers like me will also be part of (the manufacturer's) promotional campaigns and eventually get my customers back," says 43-year-old Raju Bhai Manwani, who says sales are down for the first time in 23 years.

## The Rise of 'Small-Marts'

To start with, the Chamber plans to develop three market clusters in the first year. The first cluster to be developed will be in the old areas of Rajkot, comprising the three parallel markets of Dharmendra Road, Lakhajiraj

Road and Gheekanta Road, which also happen to be the oldest market lanes in the city. Here, the shops range from tea shops to garment/saree shops to those selling electrical appliances. The Rajkot Municipal Corporation (RMC) has already widened the roads here and although the complete makeover will take some time, the vendors are excited about the project. “When conceptualised, this will give us the scope to not only retain our customers but also become a shopping centre as attractive as the malls,” says Sarju Karia, who runs a hosiery store, Liberty, in Dharmendhra market.

The second cluster to be developed would be at Dr Yagnik Road and the third at Kalawad Road. These clusters will be developed like any other shopping complex, with street furniture, decorative lighting system, systematic billing and hygienic food outlets. There will be common sourcing and warehousing of goods, common advertising, marketing and below-the-line activities and a single identity created via common designs and colour schemes for all stores on the street. All stores in this model will have a unique identity and shoppers would be given discount coupons on purchases from any shop on the same street.



**Prabhudas K. Tanna's** saree shop is three generations old. He fears he may lose customers once branded saree stores come to town



New & happening: Iscon Prozone mall

### SOME BIG RETAILERS ARE STEPPING UP THEIR PRESENCE IN THE CITY

- **Subhiksha Hypermarket**  
Currently has one, but plans to add another seven by June this year
- **Future Group**  
Has one each of Pantaloon, Big Bazaar, Gini & Jony. Intends to spread across the city, even expand in other areas, specifically in the old market area
- **Reliance Retail**  
Plans to open eight Reliance Fresh Stores by year-end (including Adani)
- **Croma**  
The consumer electronics retailer will open its first showroom by April
- **Adani (now part of Reliance Retail)**  
Has five stores as of now
- **HLL Super Value**  
The FMCG giant's self-service format that partners with local grocers has 34 outlets in the city-down from a high of 50

For the first cluster, the Chamber has already received RMC's permission to convert a defunct vegetable market into a multi-storey parking lot, which will connect the three market roads to the main road. The corporation has



**Bharat Thakkar** (in front), owner of a four-storeyed branded-goods store, has not only lost customers but also employees to the bigger retailers

also set aside a budget of Rs 5 crore for the cosmetic changes of the old city area, and part of that money would fund a planned makeover of the marketplace as well. RMC has also decided not to sell any more land in the old city area for any sort of commercial activity. For back-end operations, the Chamber has sought the Gujarat State Civil Supplies Corporation's (GSCSC) permission for the use of warehousing and other facilities belonging to "Kalpataru" Super Markets, a defunct departmental store chain owned by GSCSC. "We will help the group in any way we can, whether it is in creating a special purpose vehicle (SPV) or giving them assistance in infrastructure," says Vijaykumar Rupani, MP, who thinks this is the only option available for the traditional shopkeepers. "Almost Rs 5 crore will be needed for the backward integration in the first phase, but almost all the money needed can be raised internally," says Tecknopak's Anil Rajpal, who is assisting RCCI in the initiative.

Yet, the Rajkot experiment is fraught with risks. The biggest challenge is, of course, keeping all the 3,000 retailers together, even as they compete with each other-and not just larger retailers-for customers. It would be reasonable to say that some of the small retailers will necessarily shut shop, while some others will find their own niches in terms of products and

customers to survive. That is already the case in older retail markets such as Chennai. Helping traditional retail survive are also manufacturers, who see it as a foil to modern retail. "We are tracking these developments closely and our strategy will evolve in course of time," says Milind Sarwate, Chief Financial Officer, Marico. The Rajkot experiment, as Bagdai explains, is not meant to counter the rise of modern retail ("we are not against modern retail," he clarifies), but to help traditional formats become more like modern retail. There's no guarantee that the RCCI's initiative will succeed, but without it, the death of Rajkot's mom-n-pop stores is almost certain. ■■■■