

Rohitash Singh (Sep 2011). Economic Enhancement in Retail Sector & Growth through Modern Formats

International Journal of Economic Perspectives, 5(1), 57-63.

Retrieved from: <http://ijeponline.com/index.php/journal>

Economic Enhancement in Retail Sector & Growth through Modern Formats

Rohitash Singh

Assistant Professor, Department of Economics

Shri Rammurti Gupta Government P.G. College, Chharra, Aligarh(UP)

ABSTRACT

The Indian Rural market with its vast size & demand base offers great opportunities to marketers. Our nation is classified in more than 450 districts & approximately 630000 villages, which can be sorted in different parameters such as literacy levels, accessibility, income levels, penetration, distances from nearest towns etc. The Indian retail sector is going through a transformation & this emerging market is witnessing a significant change in its growth & investment pattern. This paper investigates the latest developments in retail sector & the growth of modern formats in this country taking Godrej Agrovet – Aadhaar as the retailing model in rural segment of Indian economy, as it is making contributions not only in the field of retailing but also in facilitating credit to farmers & providing a platform to sell their produce, buyback of output, crop finance etc.

Key words: organized retailing, retail outlets, strategic tie-ups, global forays.

ABOUT GODREJ AADHAAR

Godrej Agrovet is a subsidiary of Godrej Industries Ltd. GIL holds 57% share of Godrej Agrovet. Godrej Aadhaar is a program of Godrej Agrovet for rural India with its motto as “Khushiyan Ka, Khushhali Ka”. Aadhaar retailing is now getting into the business of output management with farmers across the country. Positioned as ‘Godrej Aadhaar – Khushiyan Ka, Khushhali Ka’, the new format stores mark the beginning of a chain which shall form the farmer’s Aadhaar for ‘Unnati, Ghar Sansar & Gaon’ a move from being just a complete agricultural solution provider to being a multi category retail outlets with wide range of products & services housing a fair mix of brands & private labels. With the Future Group owing a 70% stake in Godrej Aadhaar, the newly formed company, Aadhaar is now serving as a procurement hub for the Future Group’s retail formats, such as Food Bazaar & KB’s Fair Price & has also working as a supplier to other retailers across the country.

Rohitash Singh (Sep 2011). Economic Enhancement in Retail Sector & Growth through Modern Formats

International Journal of Economic Perspectives, 5(1), 57-63.

Retrieved from: <http://ijeponline.com/index.php/journal>

Reaching out to 50,000 farmers every month, the company has already employed 300 people to directly access the produce of farmers across 2000 odd villages in the country. The states where farmers are being approached include from the agricultural states of Punjab, Haryana, Maharashtra & Gujarat.

PRESENT STATUS AND AREA COVERAGE

Godrej Agrovet posted a turnover of Rs. 900 crore in 2005-2006. At present it has 24 Aadhaar centres in Maharashtra, Punjab, West Bengal, Orissa & Tamil Nadu. It has earmarked Rs. 750 crore to train technical & marketing staff. The Godrej Aadhaar brand has grown to a chain of 18 stores providing a host of services to farmers & their families within a year of setting up. The company is now in the process of developing these outlets into a one – stop solution for all the needs of the rural population.

The company has just opened its first greenfield outlet in Barnala, Punjab which is spread over 15000 square feet on a single level. This is the company's 30th outlet , with all the other being put up on leased properties.

INNOVATIVE EFFORTS FOR RURAL DEVELOPMENT

As Godrej Aadhaar is committed for prosperity of farmers it provides varied type of services around 20 villages in its radius. A team of qualified Agronomists who interacts with farmers on a daily basis educates them on farm practices for better productivity. Meanwhile, the existing 66 Godrej Aadhaar outlets stocks the Future Group's private labels & financial products to extend its current portfolio. New brands such as Koryo (for consumer durables) & food brands such as Tasty Treat & Fresh' N Pure is making an appearance at the Aadhaar outlets. Besides, with the Future Group having forged strategic alliances with players such as Heinz to develop the Gopika brand of ghee, its outlets is also seeing the brand – making an appearance at Aadhaar outlets. Financial products, such as insurance – based products of Future Generalli would also get sold at the outlets. Besides, there is also possibility of the Future Card (the Future Group's loyalty cum credit card) being introduced. With the Future Group's cash & carry format on the backburner, sourcing from farmers & helping them sell their produce to other retailers is being seen as an extension of same format by analysts.

Rohitash Singh (Sep 2011). Economic Enhancement in Retail Sector & Growth through Modern Formats

International Journal of Economic Perspectives, 5(1), 57-63.

Retrieved from: <http://ijeponline.com/index.php/journal>

Recently, the firm has signed a deal with Apollo Pharmacy, part of the Apollo Hospitals group & the country's largest retail pharmacy chain, to give medical support to the farming community. Earlier in a bid to strengthen its hold on the farmer, Godrej Aadhaar launched two new formats. The large format stores have been opened at Mancher & Alephata on the Pune – Nasik Highway in Maharashtra, taking the Aadhaar tally to 18 nationally. To increase its rural reach, Godrej Agrovet - Aadhaar is now moving away from being a standalone outlet to hub & spoke model.

PICK UP MONEY TRANSFERS FROM GODREJ AADHAAR

Godrej Aadhaar, the agri services & rural retail initiative of Godrej Agrovet, has tied up with Western Union Money Transfer to provide money transfer facilities at the rural hubs. Agrovet will also be piloting an educational programme with IL & FS which provides training in a variety of subjects to the locals. Quoted by Mr. C.K. Vaidya, Managing Director, Godrej Agrovet, "The programme includes both vocational training as well as basic English language skills".

Apart from this, the company is in talks with other corporates to set up fuel pumps at its outlets apart from shop in shops for other product categories as well. The company is also considering about introducing products like tractors & two wheelers later. The company is also keen on increasing the number of greenfield ventures. The company is following a hub & spoke model to set up stores, & this will be the first hub that the company has set up.

MOTIVATION OF AADHAAR –

The fundamental driving idea behind Aadhaar business model is to provide

- Facility of necessary services to farmers & rural population
- Availability of right agricultural inputs
- Assurance of required input on right price at right time
- Availability of other FMCG products & household durables at reasonable price
- Improvement cost – benefit ratio
- Facility of crop advisory services, soil & water testing services.

Rohitash Singh (Sep 2011). Economic Enhancement in Retail Sector & Growth through Modern Formats

International Journal of Economic Perspectives, 5(1), 57-63.

Retrieved from: <http://ijeponline.com/index.php/journal>

NEW DIMENSIONS FOR FARMERS UPLIFTMENT

Godrej Agrovet is a key player in the farm segment with a large presence in cattle & poultry feed. It covers the whole spectrum of poultry business-farm breeding & hatching broilers to the marketing of its branded chicken. The company also has foothold in animal feeds, agricultural inputs and palm oil & retail presence in urban areas through Nature's Basket. The animal feed segment constitutes about 75% of the company's revenues, almost 10% comes from the poultry & the remaining from the rest of the businesses.

Godrej Agrovet has always been a pioneer in the field of agriculture solutions & products & has been partnering the farmers in their daily farming needs for a long time. Realising the huge market with a significant potential for growth in rural India, Godrej Aadhaar, with its unique value proposition has a tremendous potential to grow in the segment . With an objective to improve productivity, higher returns & improved cost benefit ratio, Godrej Aadhaar at present offers crop advisory services, soil & water testing services, crop finance, supply of agri-inputs & animal feeds, transfer of information (weather, price & demand supply), door delivery of products among other things.

Godrej Set to launch farm –to-fork project

Godrej Agrovet, agribusiness subsidiary of Godrej Industries Limited, is all set to launch its 'farm –to – fork' project in Punjab. The firm will be signing an MOU with the Punjab Government in this regard. GAVL also opened its second petro format Aadhaar Express in Kashti, Maharashtra. GAVL revamped its "Nature's Basket" outlet by positioning it as 'Authentic World Food'. This store has introduced new product categories like wine, cheese, cold cuts, processed foods in addition to its existing portfolio of fresh fruits, vegetables & herbs and speciality foods

STRATEGIC TIE-UPS AND GLOBAL FORAYS

Strategic tie-ups & acquisitions have been a way of life at Godrej Agrovet limited. Meaningful alliances & useful acquisitions have been providing impetus to its growth. The acquisition of business have been in different segments ranging from Goldmohur Foods & Feeds (Animal Feed), to India Poultry Farm (Poultry), Krithika (Oil Palm Plantations), and Higashimaru (Marketing of Shrimp Feed). Strategic Investments have been made in business, which have a strategic fit and which complement the business eg Creamline (Dairy), Polchem (Bio-technology).

Rohitash Singh (Sep 2011). Economic Enhancement in Retail Sector & Growth through Modern Formats

International Journal of Economic Perspectives, 5(1), 57-63.

Retrieved from: <http://ijeponline.com/index.php/journal>

Having successfully grown to be the leader in many segments, Godrej Agrovet feels confident to take on global competition & has started making its presence felt in the international arena too. A joint venture with ACI Group of Bangladesh for poultry & feed operations in Bangladesh & acquisition of controlling stake in Al-Rahaba, which runs broiler farms in UAE exemplify this confidence .

FUTURE PLANS

The 900 – crore Godrej Agrovet Ltd. a unit of the \$ 1 billion Godrej Industries Ltd, will open 1000 ‘hub & spoke’ centres in rural and semi-urban areas across the country. These centres will also provide technical services like farm management, soil micro- nutrient analysis to farmers . The hub would cover about 10,000 sq.ft & spoke 3000 sq.ft, each costing about Rs. 75 lakh & Rs. 30 lakh respectively. These outlets will sell agro-products like seeds, pesticides, fertilizers & grocery, apparel, footwear, home appliances, furniture & kitchen appliances. It will also house banks, insurance offices, pharmacies, post offices & petrol pumps. The company will invest an estimated Rs. 750 crore to roll out the retail venture across the country & is in the process of roping in corporates to partner in the venture.

Godrej Aadhaar will also offer life insurance products to the rural community by signing an agreement with Bajaj Allianz life Insurance. The service will be offered at 12 Aadhaar outlets situated at Maharashtra, Gujarat & Punjab.

OTHER DEVELOPMENTS

Godrej Agrovet (Animal feeds, Agri Inputs, Poultry , Oil Palm & Rural Retailing)

- Standalone FY 2007-08 revenue growth of 19%
- 26 new rural retailing “**Aadhaar**” stores opened in FY 2007-08 .

Aadhaar stores retail agri products, food & grocery items, FMCG products, consumer durables, apparels etc.

- “**Chak de- Jeet Le**” promo campaign launched in October with strategic partners like Tata Motors, TVS & Nokia
- First Petro Format Aadhaar Express store opened in Gujarat
- Second Petro Format Aadhaar Express outlet with BPCL opened in Kashti (Maharashtra)

Rohitash Singh (Sep 2011). Economic Enhancement in Retail Sector & Growth through Modern Formats

International Journal of Economic Perspectives, 5(1), 57-63.

Retrieved from: <http://ijeponline.com/index.php/journal>

- Branded ‘Shop-in-Shops’ added (eg. Grasim, Welspun, Shemaroo, Nilkamal)
- Strategic tie-up with Reliance General Insurance Co. Ltd. for promoting insurance products in Aadhaar.
- Acquired 51% in Cauvery Palm Oil Limited in March 2008
- Strengthens Oil Palm Business & gives access in the state of Tamil Nadu

Conclusion :

Now, there is no doubt that Godrej Agrovet will be successful in exploring the rural potentials not only from the view of increasing its turnover & improving its market share in rural retailing but will also prove an engine for reform & renovation for rural prosperity. Godrej Agrovet limited has crossed a milestone by launching its Aadhaar outlet. Godrej Aadhaar started off as an initiative to provide Indian farming community with quality agri-inputs & reliable agri-advisory services at the last mile, thus improving their productivity & income levels. However, close interactions with the rural community in the initial period have resulted into a much better understanding of the specific needs & wants of the people & hence with time Godrej Aadhaar has moved on to become a ‘Complete Solution Provider’ to the rural /semi –urban community. Now it has taken up a more holistic objective of providing all the solutions under one roof viz, agri-inputs, free technical guidance / agri advisory, consumer products & services with focus to facilitate financial, health care, education & entertainment services etc. Going forward, Godrej Aadhaar focuses on creating a strong commodity & agri – produce supply chain & cater to the growing consumption demand in rural India.

Rohitash Singh (Sep 2011). Economic Enhancement in Retail Sector & Growth through Modern Formats

International Journal of Economic Perspectives, 5(1), 57-63.

Retrieved from: <http://ijeponline.com/index.php/journal>

References:

- *Godrej Agrovat Ltd.* <http://www.godrejagrovat.com>
- *Godrej Aadhaar -* www.thehindubusinessline.com
- *Godrej website* <http://www.godrej.com>
- *Shyam Shiradhonkar (2008), Rural Retail Market Report for Aadhaar.*
- www.managementparadise.com
- www.business-standard.com/india/
- www.slideshare.net/mtaram/godrej-aadhaar
- [prasad.kulkarnimarketing.blogspot.com/... /rural-marketing – godrej – aadhaar – retail.html](http://prasad.kulkarnimarketing.blogspot.com/.../rural-marketing-godrej-aadhaar-retail.html) –
- *Chetan Bajaj, Rajnish Tuli, Nidhi V Srivastava (2008), Retail Management*
- *Michael Levy, Barton A Weitz , Ajay Pandit (Sixth Edition, 2008), Retailing Management.*