

Sector:

Logistics

Project Title:

Rural Shopping Mall

Project Description

India is witnessing a retail boom. Variety of factors such as healthy growing economy, increasing employment, rising disposable income coupled with the increasing propensity to spend have transformed India into a giant consumer market. Traversing across the metros, the retail boom is now infiltrating down to tier 3 and tier 4 cities and even farther towards rural and backward areas of the Country. It is estimated that substantial purchase capacity is locked in these areas and the potential is yet to be tapped.

The Government of Madhya Pradesh proposes to develop Rural Shopping Malls (RSM) across the State to cater to the needs of population residing in the rural and backward areas outside the retail and distribution network of manufacturing companies. The envisaged malls would be base on an amalgamated model of supermarket and discount store and would offer substantial savings over the goods as compare to the local conveniences stores.

The proposed facility would be a geographic concentration of shopping and warehousing space, eating joint, facilitation cell and other amenities of specific and generic use. The RSM would offer one-stop shop solutions and a unique integrated shopping experience to the rural population and would specifically address the needs and utilizing tendency of these.

Employing a direct to customer business model, the RSM would buy all the goods, directly from the manufacturers. The elimination of intermediary distribution channel would lead to significant saving of trade margins which could be passed on to the customers as discount. Availability of discounted goods would be the unique selling proposition of these malls which would assist in creating a loyal customer base.

The malls would act as a two way supply chain. Apart from selling goods to the farmers it would also double up as selling market and would assist the farmer by purchasing their agriculture production at a competitive market price thus providing true value of their produce.

Proposed Facilities

- Shopping Store
- Eating Joint
- Warehouse
- Farmer's Facilitation Cell.
- Selling Counter (to buy farmer agriculture production)
- Bank Branch
- Information Kiosk

Project Rationale

Large part of the State population is dependent on agriculture and resides in the rural and backward areas which are not part of the mainstream infrastructure network. Large population coupled with their increasing exposure (due to cable television) to utility goods, consumer durables and other commodities and product of general and specific use, have led to significant increase in demand from these areas.

Due to infrastructure bottlenecks, the supply and distribution network of most of the companies does not penetrate the backward areas of the State. Thus there is a significant constraint of essential commodities and other items of general utility, which is leveraged by the local convenience stores, selling them at high margins or even selling duplicate and spurious goods. Rural shopping malls would significantly ameliorate such concerns.

The State has been declared as the fastest mover in agriculture, the key sector of the State economy supporting a large base of rural population. The agriculture driven economy prosperity of the region can be significantly tapped by customizing the business model and offering as per the local requirements.

The critical success factors of the organized rural retail are price, localized offering and a robust supply chain. The malls would offer high quality cost competitive goods by streamlining the supply chain and eliminating the intermediary cost centers. The State has significant potential to sustain such projects.

Market Potential and Demand Dynamics

Organized rural retail is comparatively a new trend in India. The concept has been pioneered in the Country by the tobacco major ITC Ltd. by opening up “Choupal Sagar”, the first rural shopping mall of the Country at Sehore in Madhya Pradesh.

The concept has gained significant success from the start as average foot count recorded at the store was around 600 – 700 on weekdays and increases to around 900 on weekends. Further, the initial estimated per day sales at the store was around USD1555 – USD1778. The concept has validated C.K Prahalad’s famous hypotheses that fortune lies at the bottom of the pyramid.

Indian retail market is witnessing exponential growth. Although the portion of organized retail is comparatively insignificant in the total retail trade but it is increasing at a significant rate. The retail sector is likely to grab a significant portion of foreign direct investment (FDI). As per estimates nearly USD 412 bn would flow into retail sector by 2011.

The Indian rural market was estimated around USD 30 bn in 2005. With competition scaling up in the domestic market especially with key foreign players entering the Country, the domestic players are on a lookout for newer avenues to increase sales. Rural market offers significant potential for these players.

All the big retail players are eying the opportunity at the bottom of the pyramid and have drawn huge plans for their retail foray. At present the key players of the rural market are Godrej, ITC, DCM Shriram, BPCL etc.

Why Madhya Pradesh?

Even a marginal purchasing capacity coupled with large population results in significant trade volume. With more than 70% of the population engaged in agriculture, the State has a substantial base of rural population with immense buying potential.

MP’s Economic Indicators	
GDP (USD)	23,983 mn
Growth rate	5.5%
Per capita GSDP (USD)	369
Total power generated	6449 MW

The expected industrial and investment boom in the State in the near future would lead to large scale employment generation thus increasing the socio economic prosperity of the region which

would lead to significant augmentation in the purchasing capacity.

The State has a well developed infrastructure network of rail, roads and air, Which provides convenient inter State linkages as well as connectivity with key commercial centers and major port of the Country. The robust infrastructure of the State facilitates the logistics and supply chain functions enabling the timely distribution of goods and services.

MP is poised to become the key logistics and distribution hub of the Country. Already the FMCG major Proctor & Gamble has established a central warehouse for their entire FMCG product portfolio at Bhopal. Several other companies are evaluating various potential locations in the State to establish or outsource their logistic functions.

The success story of “Choupal Sagar” has enticed ample interest among other companies to venture into similar projects. Thus the State is likely to witness significant activity in the retail segments.

Location Analysis

Gunna has been earmarked as potential to establish the proposed Rural Shopping Mall



Government Support

The State Government is willing to invite private participation for the envisaged project and is willing to extend significant fiscal and non-fiscal incentives to the private player.

The State Government would assist the private player in the identification of land at the suitable location and it will be the key facilitating agency for the project and would assist in the expedite clearances of proposals across the State administrative machinery.

Proposed Investment

USD 0.8 – 1 mn

Returns

The estimated Internal Rate of Return is expected to be around 20% - 22%

Coordinating Agency

Madhya Pradesh Warehousing corporation

