FROM THE DESK OF THE CEO (16/16)

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"When we can no longer change a situation, we are challenged to change ourselves" Viktor Frankl

THE INDIAN MARKET: TRADITIONAL VS. MODERN RETAIL

Last weeks' newsletter covered different formats of traditional retail as presented at Fresh Produce India. While there was a lot of discussion regarding the emergence of modern retail, what is clear is that traditional retail will continue to distribute the bulk of India's fresh produce for the foreseeable future.

There are a number of factors that make the traditional retail the ideal distribution channel. The first is **product knowledge** – given that the traditional retailer is the only person who makes the procurement decision he/she has in depth knowledge about the product and its attribute; what products are in season at any time from any source, country of origin of the fruit, attributes of the product such as size range, taste, colour etc. But more importantly the traditional retailer is the direct interface with the consumer – getting feedback that many big suppliers would have to pay millions for from a consumer research organisation. The millions of traditional retailers get **direct feedback regarding customer preference** and customer satisfaction. They will then feed this back to the wholesaler – demanding only those products that their consumer actually wants; having excess inventory at the end of the day is not an option for the traditional retailer; they need to sell what they have procured as they do not have storage facilities and their consumer wants fresh every day. And that's the third unique selling point of traditional retailers – **inventory management** – they buy every day and sell all that they buy. They do not have stock that rolls over from one week to the next. Product that is not sold is a problem – so they will keep stocking what they can sell. They will soon stop buying product that the consumer does not require. In fact they will go further and actually tailor their offer to what the consumer tells them they want. If you want to know what it is about your product that consumers like or do not like, then spend some time with these traditional retailers. Suppliers spend millions doing market research on "what the consumer really wants" – a more reliable way of gauging this is to spend some time with these traditional retailers who actually speak directly with the consumers and whose livelihoods depend on making the right merchandising decision. Traditional retailers know how to **display their products** so that it catches the eye of the passing trade and looks inviting and appealing. They spend their entire day with their product – continuously rearranging it so that it is appealing to the passing trade. Those who want their brand recognised are providing these traditional retailers with material to enhance their displays and so gain market recognition. Traditional retail is a **family business** – the entire family is involved; therefore it is easy to ensure that those working the stall are motivated and promote sales – human resource management is not a problem. Given that the business is a **cash business** and turnover all happens in a day the funding required to start up is small and finance is not a barrier to entry.

The case for traditional retail is strong in India – although government has reduced the regulatory hurdles for international modern retailers to enter the Indian market most believe that traditional retail will continue to dominate the market.

PHILIPPINES

While those in South Africa enjoyed a public holiday (Workers Day) back home the Fruit South Africa delegation was hard at work in Manila. Led by the "hands on" Ambassador Slabber and his Embassy staff the delegation met with the Philippines Bureau of Plant Industry (BPI) to follow up on the application for citrus entry into this market. BPI confirmed that they have all the necessary information to complete the pest risk assessment by the end of May. It is hoped that the additional regulatory processes necessary to confirm access approval will be completed in time to allow some shipments to arrive in this market before the close of the 2016 season.

Philippines imported 73 653 tons of citrus in 2015; more than 50% of which came from China (39 846 tons). Pakistan is next with 9 330 tons; while from the southern hemisphere Argentina (9 330 tons) and Australia (5 092 tons) both enjoy market access. The USA sent 7 036 tons in 2015.

A visit to the Divisoria market revealed the hustle and bustle found in markets all over the world. Although apples and table grapes were present in large volumes, there was also a fair amount of lemons, oranges and soft citrus.