



IIMC CASE RESEARCH CENTER (IIMCCRC)

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ANNAPURNA BHANDAR: CAN FUTURE GROUP TRANSFORM RURAL RETAILING IN INDIA?

MARCH 2015, MUMBAI, FUTURE GROUP HEADQUARTER

“We are trying to reach the inner part of India to understand India in its real sense and build a long term strategy. We feel, with more understanding on rural India we will be able to create customised products for rural customers and sell them at a very competitive price. The whole idea is to create a very low cost distribution model.”

- Kishore Biyani, Chief Executive Officer, Future Group

Kishore Biyani was speaking to his executive team to clear his vision that he wanted Future Group to focus on unlocking the value potential of the aspiring rural India. The retail revolution started in the food side of the business in 2001. Since then the retail industry in India had gone through a long path of transformation and growth. In 2017 the size of the Indian retail market was about US\$ 585 billion and was expected to grow at 13 percent to reach US\$ 1080 billion by 2020¹. However, till 2017 no company had been able to crack the rural retailing model or create a clear road map in the country about how to serve the rural customer, how to build up organized retailing, and how to get the supply chain streamlined for this purpose. Some initiatives had been undertaken in the past by few companies including Future Group but the right model had yet to be figured out. Biyani remarked:

¹ <https://retail.franchiseindia.com/article/multi-channel/etail/Indian-Retail-trends-2017.a5553/>

Prof. Indranil Bose, Anirban Biswas, and Vamsi Vallurupalli of the Indian Institute of Management Calcutta developed this case study as the basis for class discussion rather than to illustrate the effective or ineffective running of an organization.

“We have a very old mind set that in rural India the roads are not there, lights are not there, and there is no permanent house. But in reality the things are very different. All the states in India are working hard for building roads and houses and achieving economic prosperity.”

While Biyani was outlining his future retailing road map for rural India, a proposal came in from the state government of Rajasthan. The Chief Minister of Rajasthan Basundhara Raje invited Biyani to understand the need and vision of the state government to eliminate the inherent inefficiency in the current Public Distribution System (PDS). The state government asked Biyani to explore if Future Group could completely revamp the system by transforming the old PDS using the practice of modern retailing. The objective was to ensure that the benefit of modern retailing was offered to the rural society so that they could get good products at fair value and available in close proximity to their villages in a delightful environment where they could come freely and purchase their desired products.

However, there was plenty to achieve in a very short period of time and the challenges were manifold. Biyani set up a target to establish 5000 ‘Annapurna Bhandar’ stores in Rajasthan in just 6 months time. At the same time, Future Group had to set up an entirely different low cost distribution system and gain mastery of new product categories, not just in terms of product development and innovation but marketing, order capturing and distribution as well. It was also a big shift for the ration dealers and the shop owners of the PDS to be enterprising and adapt to the demand of modern retail processes. Then there was the socioeconomic challenge to transform the mind-set of the rural consumers of Rajasthan and make them understand and appreciate the intent of both the state government and Future Group and encourage them to buy branded goods from Annapurna Bhandar instead of buying unbranded local varieties from local grocery stores. There were big headwinds and the most important question was whether Annapurna Bhandar would be able to successfully turn the threats into opportunities and write the first success story of rural retailing in India.