

The Science of Retailing

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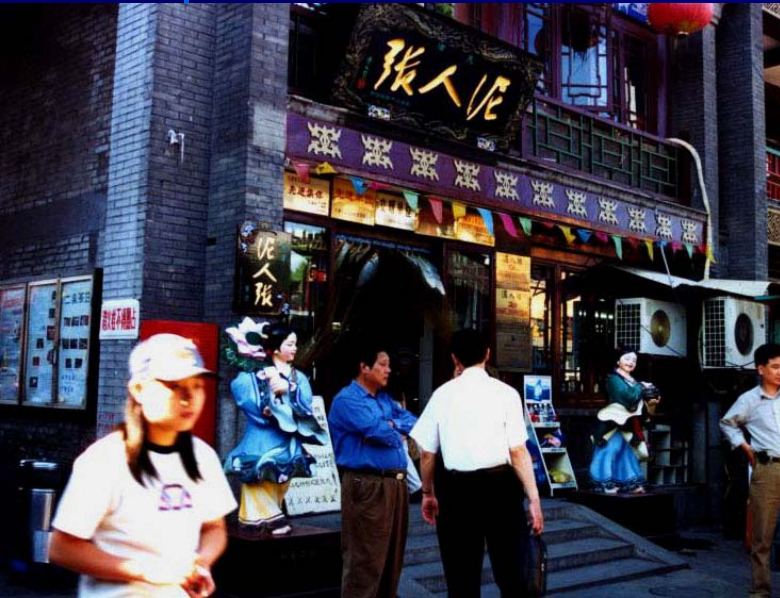
Food Retail Buying in Transitional Economies: Is China a model for India?

*Brenda Sternquist, Professor
Michigan State University
2008 Indian Food Forum*





Retail Buying in Transition- China



- Lack of price transparency
- Few true chains...government instigated "chains"
- Emphasis on profitability
- Still regionalization in buying
- Lack of trust in central buyers

Differences Between China and India

- China had state owned stores-no protests over FDI
- China early on moved to stop informal markets
- Large scale in China has always been viewed positively



Similarities Between China and India

- Regional suppliers
- Regional buying
- Largely regional chains
- Limited selection/choice of products



Retail Buying in Transition-India

- Problem with developing negotiating power with suppliers
- Large amount of regionalization in purchasing
- Lack of price discrimination-inability to increase margin



Centralized Buying-3 Problems



- 1) Computer Systems
- 2) Product Expertise
- 3) Rewards Systems

Two Systems

Personal vs. Institutionalized

■ Trade Assistance

➤ Price Based

➤ Personal trust

➤ Short term

■ Role Performance

➤ More than price

➤ Institutional trust

➤ Long term

Issues in Indian Food Buying

- Terms of Trade
- Private label doesn't generate significant margin
- VAT



Institutional Trust vs. Personal Relationships

■ Central Buying

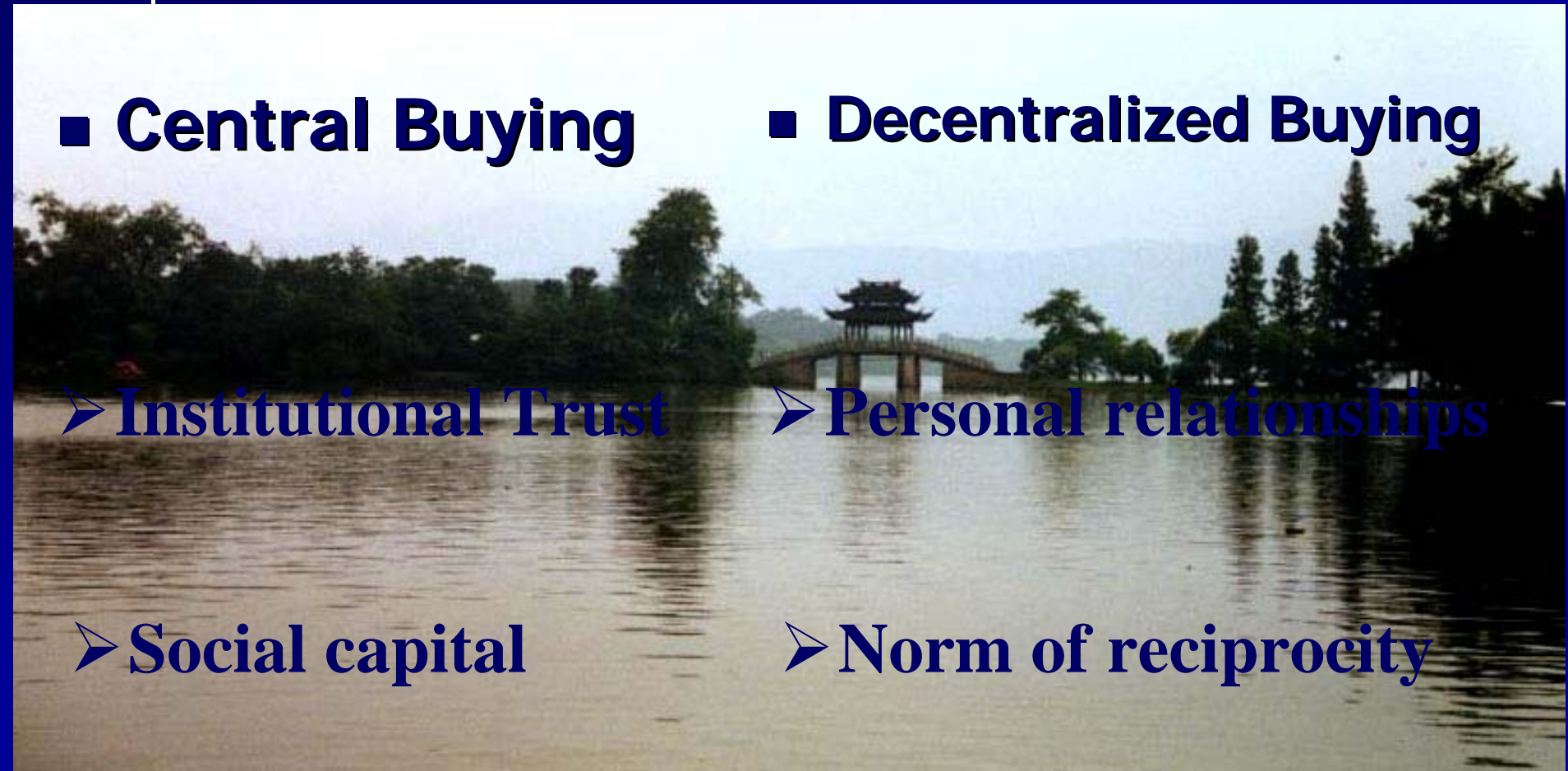
➤ Institutional Trust

➤ Social capital

■ Decentralized Buying

➤ Personal relationships

➤ Norm of reciprocity



SUMMARY AND CONCLUSIONS

- Regionalization of buying creates problems for both India and China
- Few national brands-they are needed for establishing discounting
- Few professionally trained buyers
 - Few true chains
 - Need for FDI



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