

The Supermarket Revolution in Developing Countries:

Implications for Development

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- Supermarket Revolution since 1990
 - ... from a slow trickle before 1990
 - ... suddenly a "TAKE-OFF" in the early-mid 1990s
 - ... extremely rapid waves of spread of supermarkets after that

- FIRST wave in much of South America and East Asia outside China - TAKEOFF in the early 1990s
 - ... supermarkets had 10% of food retail in 1990 -- and 50-60% today
 - ... did in 1 decade what US did in 5 decades!

- SECOND wave in Southeast Asia, Mexico, and Central America - TAKEOFF in the mid 1990s
- ... supermarkets had 5% of food retail (like India now) in 1990 -- and 30-50% today

- THIRD wave in China, India, Russia, Vietnam: TAKEOFF in late 1990s early 2000s
 - ... supermarkets had 0-2% of food retail in 1990 -- and 7-20% today
 - ... this wave rolling at the fastest rate in history –
 - ... 3 times faster than the first wave countries, and 15 times faster than it did in the US!

- NO supermarkets in China in 1990 – and 100 billion dollar industry today!
- And here in India, retailers talk of investing 20 billion dollars in the next 5 years...

... here in India may be the most spectacular act in the Supermarket Revolution

- Within a given country, waves:
 - first in big cities, then secondary cities, then rural towns
 - first among the rich, then the middle class, then the poor
 - first in processed foods (flour, oil, condiments) – then in dairy, meats, fruit – and last into vegetables

- Supermarket "TAKE-OFF" driven by:
 - a) Sudden, MASSIVE retail investment
 - ... foreign direct investment
 - and/or
 - ... competitive/anticipatory domestic investment

b) procurement system modernization –
so supermarkets moved from “luxury
niche” to “cheap mass marketers”
... via 4 innovations

- National, regional, global sourcing networks
- "Preferred supplier" systems
- "buy direct" and "specialized wholesalers"
- Private standards of quality

- Supermarket Revolution = NOT "Business as usual" for suppliers
 - More competition (rural development and competitiveness debates merge...)
 - Need for upgrading investments

Indonesia: small farmers (1 ha) and supermarkets

- Small farmers included - but tend to be “upper tier” in assets (irrigation, skills, good road access)
 - supermarkets frustrated by inefficient value chains and wholesale markets
- ... So source via outgrower schemes managed by specialized wholesalers with packing/shipping facilities

- Government tackling wholesale market disaster that is constraining small farmers
- Small-farmer-organizations important – but very challenging:
 - ... easy to “get in market” – BUT hard to stay
- Traditional extension has “fallen on its face” faced with the new, more complex markets
 - ... So a big debate about new extension methods and systems emerging

Indonesia/Malaysia: small shops/wetmarkets versus supermarkets

- “general” traditional dry-goods shops hit hard
- But many small shops and wetmarkets survive with “strategic repositioning”
 - ... upgrade in service, quality, niches
 - ... infrastructure, hygiene
 - ... government assistance and associations