

The Retail Food Sector in Pakistan

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Abstract

Retailing plays a key role in the economic development of a country. Retail is the 2nd largest industry in the US in terms of numbers of employees as well as in terms of establishment. The number of employees engaged in retail sector in one way or other way is more than 23 million and they generate revenue high than \$3million per year. Pakistan retail sector play a key role in the economy of the country. The total turnover of the retail sector in Pakistan is 17% of the GDP. Pakistan is basically an agriculture country and 62% of the total population is directly or indirectly engaged in the agriculture sector but still the agriculture sector cannot fulfil the food requirement of Pakistan and she has to import food products from other countries. An average Pakistani spends 42% of his income on food item. Pakistan is emerging market for the import of food products.

Keywords: Retailing, food retailing, Pakistan

Introduction

Like all other developing countries Pakistan retail sector is also dominated by the traditional Mom and Pop shops which is known as Karyana Stores in the local language. They unorganized and exist all over the country. If you go to a small village of less population of remote area in Pakistan you can find 3 or 4 Karyana stores . They have small number of item of daily use for sale in limited quantity usually they are near the residential areas and they are small and have a space of one freezer for freezing the perishable products .These stores have an estimated turnover of \$3billion. The average floor area of these stores is approximately 200 to 500 square feet and the ratio of imported food products sale in these Karyana store is 1% of the total import. {1}The next format of retailing is general store and these stores are also scatter all over the country but as compare to karyana stores these stores have more items and the average area is also big than karyana stores. They have a space of 2 or 3 freezers and the cover area of the floor is usually from 500 to 3000 square feet.{2}The 3rd one format is departmental stores. These stores are larger than the general stores and usually they have more items than the general stores and the cover area is from 3000 to 6000 square feet and there is a space of 4 to

5 freezers in these stores. The total share of general stores and departmental stores is 3 %^{3} of the total retailing business in Pakistan. The revenue from these stores is more than \$200million per year. The sale of the imported food products in these stores is 6%^{4} of the imported food goods in the country. The modern format of retailing is the establishment of chain stores by local and foreign investors in Pakistan. They have outlets in all the big cities of the county. In the decade of sixty the Pakistani general consumers were not aware from the concept of chain stores and hypermarket. There were two chain stores in the country the name of CSD and utility stores but only army personnel and government servant were allowed to make purchase from these stores on lower price than the open general retail market. The government allowed to the general masses to make purchase from these stores between the decade of 1970 and 1980. The retail sector scenario has changed in the decade of 1990 when the government provided license to the multinational retail chain stores to start operation in Pakistan. The local investors also play a key role in bringing revolution in the retail industry of the country and they also established chain stores in big cities of the country. Modern chain stores are very popular among the elite and high class of the society and usually they make purchase from these stores. The floor area of these chain stores is from 25000 to 10000 square feet and they have a large parking area for the customers. The share of imported food in these stores is 6.5% of the total imported retail products in the country. The market share of the chain stores in food retailing business is 2 %.^{5}

The new introduced format of retail stores is the establishment of Gas Marts or Kiosks by the oil companies usually on busy filling station. Like the chain stores they have same shape throughout the country. The area of such type of store is from 200 to 500 square feet and keep limited products line. The annual turnover of these retail gas marts is \$.95 million. The following tables will clear the real picture of the retail industry of the country.

Format of the store	Managed by	Product line	Customers	Format turnover in US \$	Share of contribution to Food retail industry	Share of imported products in the format	Floor space
Karyana Stores	Less educated person	Very limited products	Poor class of the society	3 billion	94%	1%	200-500 square feet
General store	Middle educated person	Limited products	Middle class of the society	300 million	3%	6%	500-3000 square feet

Departmental store	High school educated person	More product line	High middle class of the society	250 million	2%	6.5%	3000-5000 square feet
Modern chain store	Professionals	Too much variety of products	Upper high class of the society	300 million	2%	5.6	25000 - 100000 square feet
Gas marts/Kiosks	Oil companies trained personnel	Limited products line	Travelers	150 million	1%	2%	200-300 square feet

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Chain stores Details in Pakistan

Name of Retailer	Type of Retailer	Ownership	Number of outlets	location	Purchasing Agent
Utility stores Corporation	Manufacturer/Retailers/Distributors	Government of Pakistan	5720	Throughout the country	Local Manufacturer & suppliers
K&N's	Manufacturer/Retailers/Distributors/Frozen ready to eat Poultry	Pakistani	103	Throughout the country	Own farm & locally
CSD	Manufacturer/Retailers/Distributors	Pak Army	110	Throughout the country	Local Manufacturer & suppliers
Harrrold super	Retailers/Importers/super market	Pakistani	7	Big cities of the country	Distributor Local Manufacturer and direct Import
Metro cash and carry	wholesaler/importers Distributors	German/Pakistan	6	Big cities of the country	Local manufacturer

	/Hypermarket				ers and importers
Makro(cash&carry)	Retailers/importers Distributors /Hypermarket	Pakistan/Netherlands	5	Karachi & Lahore	Local manufacturers and importers
Rahat Bakers	Confectionary/Retailers	Pakistani	4	Islamabad Rawalpindi	Local manufacturers and importers
Fresco Bakers	Confectionary/Retailers	Pakistani	6	Islamabad' Rawalpindi, Lahore	Local manufacturers and importers
Nirala sweets	Confectionary/Retailers	Pakistani	7	Islamabad' Rawalpindi, Lahore	Local manufacturers and importers
Carrefour	Retailers/importers Distributors /Hypermarket	Pakistan/French	3	Lahore Karachi Islamabad	Local manufacturers and importers

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Major Gas Marts /Kiosks

Name of Retailer	Format of Retailer	Ownership	Number of outlets	Location	Purchasing agent
Pakistan state oil Shop stop	Gas Mart Retailers	Pakistani	35	Major cities	Distributor Local manufacturers and importers
Caltex Chevron star mart	Gas Mart Retailers	Pakistani /US	30	Major cities	Distributor Local manufacturers and importers
Shell Select shop	Gas Mart Retailers	Pakistani/Netherlands	25	Major cities	Distributor Local manufacturers and importers

Beside the above mentioned organized retail sector stores there are also some other national chain store but the numbers of the outlet are less than four so they are not included in the list.

Retail Food Sector In Pakistan

Pakistan is basically an agriculture country and about 62% of the total population is depending on agriculture directly or indirectly. But due to illiteracy and paucity of the financial resources the framers are not able to use the modern equipment's standard seeds and fertilizer for growing the crops so this is the reason that the per acre yield is low and cannot meet the total demand of the population .Pakistan is spending a sufficient amount of its income on the import of the agro- products to meet the demand of the county each year. The retail and whole business turnover is 17% of the GDP {5} the average Pakistani spends 42% {6} of its income on food related items. Consumption of imported foods item is increasing day by day in Pakistan due to increase of per capita income. Usually the consumption of imported food items is high in the upper middle class and high class of the society in urban areas of the country as they can afford and have access to modern style of food.

Pakistan is an emerging market for processed ready food products. In the year 2009 Pakistan agro products were more than \$600 billion .The main import of Pakistan in the food items are mostly Beverages and fruits juices, Ice cream, baby food vegetable oils, Dairy products, cotton sugar , wheat flour , dry fruits, spices etc.

The following table shows the import of a few food items to Pakistan for the year 2009/10

Name of the item	Amount in Us dollar
Pulses	262 million
Dry fruits	85 million
Cotton	590 million
Spices	79 million
Sugar	288 million
Vegetable oils	1.8 million
Tea	264 million
Baby food	50 million
Dairy products	600 million
Wheat flour	85 million

Source (State Bank Pakistan Annual Report 2009/10

It is necessary for the importer to hire the services of a local agent in Pakistan as only a local person can guide the importer in a proper way as he has sound knowledge of the local market aware from the rules and regulation of different products to the country. Before importing the products it is necessary for the importer agent to conduct a survey among the potential consumers about the preferences of the consumers and their attitude towards the propose

product. The importer should give much importance to the selection of the agent in the Pakistan as for the success of his business he will be only the responsible person in the local market so get information about the agent from the industry trade association and foreign company in the field. The agent will be beneficial for the importer who has expertise in organising product promotion events and has a close ties with the retailer as the retailer have direct contact with the end users and in the success of the product in the market they can play a key role. Exclusive distribution right should be given to the agent with a view to protect the investment. Pakistani consumers are price sensitive so the concentration should be given on a reasonable entry price strategy. The advantages and challenges for the importer of food products to Pakistan are given below:

Advantages	Challenges
Consumers in the urban areas of the country prefer to use foreign food as they prefer imported healthy food and food supplements	The poor infrastructure of the country is a big challenge for the importer of food products
Foreign Direct Investment in retailing sector is encouraging by the government of Pakistan	The law and order situation in the country is really a challenge for the investor in Pakistan and most of the investor hesitate to invest in Pakistan
Availability of chief labour force for working in industrial and agricultural join venture	Traditional habit of food is very difficult to change in the consumers
The Popularity of imported products in the country is increasing as the elite class of the society consider using imported products as symbol of status and prestige	Tariffs imposed by the government on import of food products are very high. The government should reduce the tariff
Large numbers of Pakistani expatriates are working in different countries of the world and they are the potential source for promoting the brand of the country in which they are working	Lack of credit and financing
The changing habits of eating among the influential class of the society is a good for the introduction of imported food stuff in the market	The products of local producers are also such a high quality that they can compete the imported products in the market.
Government Pakistan is keen to restoring business confidence and reviewing the economic policy of the country	Different sanctions of US and other EU countries due to terrorism activities by Taliban in the country.

Conclusion

Pakistan elite class of the society prefer to use the imported food products and the consumers of Pakistan have the purchasing power as most of the people are working in Europe US and middle East and every month they send a handsome money to their families. The importer should keep in view the concept of Halal while importing some foodstuff items to Pakistan as Pakistan is an Islamic country and they consumers keep care for the composition of the items and if there is any minor ingredient which is prohibited by Islam then they will not purchase the same.

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