

# Retailers import more, irk FMCG cos

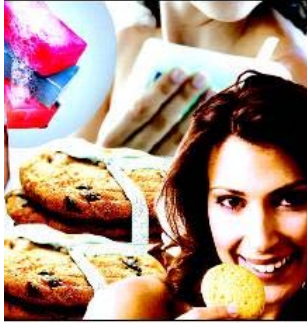
## Imported Products Offer Higher Profit Margins To Retail Chains, Give More Choice To Consumers

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IMPORTED personal care and food products have started edging out Indian-made ones on store shelves across the country as retail chains look to providing more value and variety to consumers and extracting bigger margins from domestic producers.

Future Group's Big Bazaar and Food Bazaar, Reliance Retail, Aditya Birla Retail, Spencer's and Sankalp Retail's My Dollar Store, among others, have started importing top consumer brands in huge numbers from markets such as the US, UK, Thailand, Taiwan and west Asia.

These imported products in personal care categories such as shampoos, skincare, cosmetics and soaps and foods such as pasta, chutney, sauces, chocolates and beverages are estimated to offer 20-30% higher profit margins compared to those sourced from the domestic market. Together with private labels, or house brands, these imported products also help the retail chains stock up empty shelves and offer product variety.



"Margins are always an issue between retailers and manufacturers. But we import different pack sizes and brands that offer different values across personal care, beauty and food categories. The margins on imported products are far higher

than any other product, including private labels," said Kishore Biyani, CEO of the Future group, the country's largest retail group.

The modern retailers, especially hypermarkets such as Big Bazaar, are unhappy with the domestic makers of fast-moving consumer goods (FMCG) for their inability to offer a larger mix of brands, more variants and multiple pack sizes to stock at their sprawling stores.

"Getting in imported brands helps us not only strengthen our margins but also offer options to consumers. Most of these imports are personal care products that have a longer shelf life compared to food products," said Thomas Varghese, CEO of Aditya Birla Retail that runs 640 supermarkets under More brand and five hypermarkets. Multinational firms such as Kraft that do not have a strong direct presence in the country are happy as their brands get ready outlets and crucial shelf visibility. However, Indian arms of multinational non-durables firms, faced with erosion in market share and revenues, have taken steps to stop retailers from importing products from their international portfolios.

Hindustan Unilever, L'Oreal, Lancôme Perfumes, Oakley Inc, Nivea and Mico, among others, have registered several brands under notification No. 47/2007 of intellectual property rights with the Customs that allows them to stop import of specific products. Some FMCG makers have invoked the Intellectual Property Rights (Imported Goods) Enforcement Rules, 2007, claiming loss of business opportunity, unfair competition and product cannibalisation.

"I think imports are not merely done to improve margins. It is also a move by retailers to offer variety in their merchandise," said Saugata Gupta, CEO of Marico that owns brands such as Parachute and Saffola.

While these imported products yield higher margins to retailers, the business strategy is fraught with risk. "As far as higher margins are concerned, retailers also take a risk on brands that are imported. If the brand does not move, they will be saddled with inventory which will put pressure on bottomlines," said Kumar Rajagopalan, CEO of the Retailers Association of India (RAI).