



Supermarket and Hypermarket Trends in the Retail Market of Bangladesh

Supermarkets¹ in Bangladesh hold only 1.6² percent share of the BDT 1372 billion retail market compared to India's 8-9% Sri Lanka's 43% and Myanmar and Philippines' 50% of the respective country's retail market.³

While supermarkets are well-known, hypermarkets⁴ are not as common in Bangladesh. However, the future of both supermarket and hypermarket show an upward trend due to a number of factors.

¹According to Shiprocket, a supermarket is a big self-service retail market that generally sells food and household items. It can be called a larger version of a grocery store ²<https://www.tbsnews.net/economy/supermarkets-future-retail-47725> ³<https://www.tbsnews.net/economy/supermarkets-future-retail-47725> ⁴A hypermarket is larger than a supermarket as such it combines a departmental store and a supermarket.



Size of the Retail Business in Bangladesh and its Growth Trends

Bangladesh is one of the 20 most promising future consumer markets as identified by *Euromonitor* in 2014. According to Bangladesh Superstores Owners' Association (BSOA), around **30 companies** have over **260 outlets** that are currently operating across the country. There has been a remarkable increase in the sales of supermarkets during the recent times. The ongoing COVID-19 pandemic has expedited the sales even more. According to *The Business Standard*, Shwapno's gross sales in March 2020 increased by **50%** more than the average sales. Unimart's sales have grown at a rate of **40%** every month until March 2020 as well.

Online grocery delivery services have grown in popularity in this pandemic as well. The average grocery order basket value at the online grocery store 'Chaldal' was **BDT 1,300** before the pandemic, but it climbed to **BDT 3,750** during the period⁵. The growth in the sales and outlets of supermarkets indicates that people are moving towards supermarkets.



Driving Factors Behind the Growth



Bangladesh's per capita income rose by **\$327** in fiscal year 2020-21 to **\$2,554**.⁶ With an increase in per capita income, personal disposable income rises too.

The higher disposable income created a new segment of middle-class with more buying power. They are willing to spend their higher disposable income in supermarkets for the convenience and social status it offers. The share of the middle class in total population is likely to reach **25 per cent** from the current **22 per cent** by 2025 and **33 per cent** by 2030. The current trend indicates a rapid growth in the share of supermarket in country's retail market in this decade.⁷

⁵<https://www.thedailystar.net/business/news/online-grocers-fail-seize-the-day-during-biggest-opening-yet-1897495>

⁶<https://thefinancialexpress.com.bd/economy/per-capita-income-in-bangladesh-crosses-2500-1636017729>

⁷<https://thefinancialexpress.com.bd/views/reviews/bangladeshs-rising-middle-class-myths-and-realities-1614610680>



Change in the taste and expectations of urban middle class

Some Middle-Class Bangladeshis feel more comfortable with the self-service shopping style of supermarkets than they do when visiting overcrowded, open 'wet' markets for their everyday grocery shopping. They notice they are encountering something that is of an international standard in supermarkets which elicits a positive response, pride and a desire to spend time in the pleasant surroundings. Thus, retail shopping has become more of an experience than just something people do out of need.



Increase in need for e-commerce and digital platforms

The Bangladeshi retail grocery market size is around **BDT 1,00,000** crore per year, and the overall online business is around **BDT 8,000** crore where retail is just a part.⁸ In the past two years, the online channel has been growing fast in Bangladesh market owing to the increased demand for online deliveries. The supermarkets that have offered better online services have gained customer trust.



More Investments in Information Systems

Information is currently an asset for supermarkets. Brands that utilize their target market, supplier and customer information stay ahead of their competitors.

Impact of the Growth Trends



Growth in GDP: Following the massive impact Readymade Garments industry left and is leaving in the GDP of Bangladesh, the retail industry has the potential to become the next booming industry.

Increased employment in the country: The retail sector is one of the biggest contributors of national employment that is at **12 per cent** and made a **14.3 per cent** contribution to the national GDP during 2011-2012 together with wholesaling.⁹ The growth of supermarkets will lead to more employment because of more employment generation by the supermarkets.

Higher Number of Women in the Workforce:

According to World Bank collection of development indicators, **30.63%** of the total labour force was comprised of women in 2020. More working women means less time for shopping because it is mostly women who shop for the households in Bangladesh. As a result, supermarkets that offer a huge variety of products under one roof requiring less time for shopping are gaining popularity.

Diversified Employment:

While traditional grocery stores have one or two employees, supermarkets have many more starting from managers to salespeople to delivery men.

⁸<http://newvision-bd.com/ja/impact-of-covid-19-on-e-commerce-industry-of-bangladesh-2/>

⁹<https://www.thefinancialexpress.com.bd/views/the-changing-retail-market-landscape-1518803754>

Technology as a differentiator:

Brands utilizing technology to cut costs, formulate better strategies and provide a better experience will lead to technology becoming a differentiator in this industry.

According to BTRC there are about **130 million** internet users in the country at present.¹⁰ Online banking, electronic money transfer, use of ATM card and similar services are playing a huge role in establishing a cashless and a more hassle-free experience in supermarkets.



A cost-effective supply chain management system:

According to ESS & Partners, if online grocers can reduce home delivery costs by **50%** they will become more profitable than offline grocers. The ones capable of either affording the operational costs or reducing it are staying ahead of competitors.

Integration of more advanced technology in the business:

In order to be more data-accurate, cost plus time-efficient, supermarkets need to integrate technology in the business. However, integrating new technology is not only costly; it needs skilled manpower as well.

Lack of available retail space:

At present, it is very difficult to find suitable, unoccupied and huge space for such retail markets to provide its services.

Lack of Skilled upper Management:

The skilled management that are able to formulate sustainable strategies to be a game changer for the particular supermarket brand is few in number in the country.

Market centralized in the urban areas:

The customer base of supermarkets is mainly urban and very narrow focused on Dhaka, Chittagong, Narayanganj, Rajshahi, and Sylhet. Small independent grocery stores and unorganized temporary village bazars are still the characteristics of the fragmented retail stores in rural areas. Due to increasing rate of urbanization, the rural marketing system is decreasing. This is because a large portion of rural people shift to urban areas.¹¹ Therefore, penetrating the rural markets will be a difficult task for the supermarkets.

High taxation and cost of capital:

While the wet market players do not need to pay any tax, supermarkets have to pay both direct and indirect tax. Furthermore, the cost of capital is higher for supermarkets. This leads to a higher price in the supermarkets. A good portion of the customers hesitate to buy from supermarkets if they can find the same product at a cheaper price elsewhere despite the additional experience offered by the supermarket.

¹⁰<http://www.btrc.gov.bd/content/internet-subscribers-bangladesh-january-2021> ¹¹https://www.researchgate.net/publication/322424027_Direct_and_Associated_Factors_Influencing_the_Growth_in_Supermarket_Activity_in_Bangladesh