

The cold chain:

Growing food retail demand and the benefits of formal markets in Bangladesh

Growing formal retail channels in Bangladesh provide health and safety benefits, promotes economic growth, and complements technological innovation.



Traditional wet market. Source: LixCap

Approximately 97% of all food transactions in Bangladesh are made in wet markets and other informal retail market places, such as hut bazars where fresh foods are sold.¹ Wet markets are densely packed with local vendors selling perishable items such as fresh meat and produce without enclosed refrigeration; traders sell live animals that are often slaughtered onsite.² Unfortunately, the informal nature of wet markets make traceability difficult and add risks of cross-contamination, overall increasing the food safety risks for consumers. Clusters of informal markets and sellers on the roadsides also exacerbate traffic congestion.

Due to the informal nature of the transactions in the wet markets, the State tax revenue that could be used for the betterment of the nation and its communities. Informal markets come with disadvantages for both consumers and businesses.

Supermarkets are becoming increasing popularity among Bangladeshi consumers. One of the prominent food department stores in Bangladesh, Shwapno, had record growth in the past five years, going from an impressive 62 stores and outlets to a staggering 246 outlets in 2022.^{3,4} Substantial growth was also experienced by the hotel, restaurant, and catering (hospitality) sectors in Bangladesh, which have seen a 50% increase in market size in the past decade.⁵ Sunil Nair, CEO of Snowman Logistics, a refrigerated logistics provider in India, highlighted the benefits of transitioning to a modern system food retail as the consistency of the quality of consumer food products sold at retail increases. He noted that more varieties are available for customers to enjoy, with overall increased efficiency and thus better pricing. Shifting towards modern retail brings with it benefits. Consumers are reassured about food safety and traceability. Formal employment opportunities are created. And positive ripple effects spare investment in technology accelerated development of logistics and infrastructure.

Growth drives for grocery business in Bangladesh:

- 1 An annual urbanization growth rate of 3%.⁶
- 2 Per capital GDP of USD 2,500, signaling an expansion of the middle class.
- 3 Rise in purchasing power of the middle and upper classes.
- 4 Consumer taste and demands of visiting expatriates and diaspora.

These factors influence consumer preferences, increasing demand for higher food safety and quality standards which are available at formal food retail stores.^{7,8}

¹ LixCap (2021). Feasibility study of Bangladesh's temperature-controlled logistics market.

² Merriam-Webster, "Wet Market Definition", <https://www.merriam-webster.com/dictionary/wet%20market>.

³ Kader, Ruhul. "What's Next for Shwapno". Future Startup. 4 January 2019. <https://futurestartup.com/2019/01/04/shwapno-next-sabbir-hasan-nasir-executive-director-aci-logistics20288>

⁴ TBS Report. "Shwapno inaugurates new outlet at Jamalpur's Bakshiganj". The Business Standard. 29 September 2022.

<https://www.tbsnews.net/economy/corporates/shwapno-inaugurates-new-outlet-jamalpur-bakshiganj-505606>

⁵ Jahid, Akanda Muhammad and Byron, Rezaul Karim. "Restaurants spring up in past decade". The Daily Star. 21 June 2021.

<https://www.thedailystar.net/business/news/restaurants-spring-past-decade-2115705>

⁶ "The World Bank." Accessed 19 October 2022. <https://data.worldbank.org/indicator/SP.URB.GROW?locations=BD>

⁷ Udim, Jasim. "Hotels, restaurants add gross value of Tk 87,926cr to Bangladesh GDP". New Age Business. 11 June 2021.

<https://www.newagebd.net/article/140435/hotels-restaurants-add-gross-value-of-tk-87926cr-to-bangladesh-gdp>

⁸ "The World Bank". Accessed 30 September 2022 <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD?locations=BD>

E-commerce is rapidly growing in Bangladesh and is set to double to BDT 150,000 crore by 2026. Food service providers involved in e-commerce like Foodpanda are contributing to this growth, allowing individuals to sell and buy food through more formal channels and providing better traceability, ease of transactions, and product safety. With the boom of online food retail and food delivery platforms, and heightened consumer demand from consumers for these types of products and services has in turned spurred more investments. E-commerce related to food retail has triggered exponential demand for safer packaging, efficient temperature-controlled transport of products, and the appropriate storage of foods to ensure quality control and maintain nutritional prospects.

The future of food logistics is indeed one that can provide consumers with safe, nutritious food efficiently and as quick as tapping on a smart phone.

There are companies who have embraced innovation to make the agricultural supply chains more reliable by improving transportation and distribution, product aggregation, and purchasing options for consumers. Organizations like these continue to propel the formalization of the food retail industry, providing safer food and more reliable access to consumers and distributors alike.

The implications of transitioning to formal food retail are salient in the long run. Contactless and cashless payments have (i) driven greater penetration of financial transactions; (ii) provided a significantly more traceable source of taxation for government authorities due to the higher number of recorded transactions; (iii) safeguarded consumers with traceable and safe-to-eat products; and have stabilized food prices. The downstream effects of having more grocery stores, or rather formalized retail, result in better health and nutrition prospects and new employment opportunities in the hospitality, logistics and supply chain sectors. For example, with a rise in grocery stores and/or consumer sophistication, more cold chain operations will need to be put in place to preserve and mobilize products. Cold chain investments directly employ operators in the facility, people in the transport business, and staff to procure the value-added services. Indirectly, the rise in cold chain businesses will have ripple effects in the hospitality industry which will grow in parallel and need more employees. Similarly, demand for engineering jobs, construction, IT, and other skills will increase.



Packaged meat in a grocery store at chilled temperature. Source: LixCap

It is important to recognize that formal retail in Bangladesh will not develop overnight; informal markets will dominate the space for years to come. However, higher standards of food safety, quality, and traceability that can only met by formal food retail stores will be needed as the economy develops, the purchasing power of Bangladeshi consumers rise, and urban populations grow.

⁹ Tribune Desk. "Study: Bangladesh e-commerce sales to double by 2026". 18 September 2022.

<https://www.dhakatribune.com/business/commerce/2022/09/18/study-bangladesh-e-commerce-sales-to-double-by-2026>

¹⁰ Karim, Rezoul. "Bangladesh e-commerce sales to more than double by 2026: Research". TBS. 15 September 2022.

<https://www.tbsnews.net/economy/bangladesh-e-commerce-sales-more-double-2026-research-497134>

¹¹ Meraj, Mavis. "Credit card transactions grew by 1,091.5C" The Dhaka Tribune. 18 September 2022.

<https://www.dhakatribune.com/business/2022/09/18/credit-card-transactions-grew-by-10915c>

¹² Waber, Deborah P., et al. "Impaired IQ and academic skills in adults who experienced moderate to severe infantile malnutrition: a 40-year study." Nutritional neuroscience. 2014

The Bangladesh Trade Facilitation project aims to expand cross-border trade in agricultural goods and food products. The objective is to address systemic constraints at Bangladeshi ports; simplify and automate import and export processes; improve the capacity of Government regulatory agencies, laboratories, and warehouses; and to foster investment in cold storage facilities and temperature-controlled logistics.

Implementing Organizations



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