



VISION 2020: 'INDIA' ONE OF THE WORLD CLASS RETAIL DESTINATIONS

Dr. Suresh Ranganathan

ABSTRACT

Indian Retail Sector; the opportunities are gargantuan and the stakes are really high. The economists and the analysts are robustly betting on strong retail sector performances to help and empower India, one of the Worlds fastest and Asia's third-largest economy to become one of the world's most prominent and best retail destinations in 2020. Indian consumerism has transformed dramatically to adapt to western-style consumer spending patterns and this change is one of the prime factors driving Indian economy to higher levels. The steadily increasing income of an average Indian, the robust developments in infrastructure across all the regions of the country, the bold and continual economic reform measures and liberal foreign direct investment(FDI) policies, prominent international brands eyeing India as one of top investment destinations and the internet revolution's influencing power on Indian population's consuming trends, all together is certainly a pivotal driving engine to make India as one of the strongest economy and most attractive international destinations for FDI.

Top Indian corporates like Reliance, Bharti Enterprises, Dabur, Aditya Birla Group and the Raheja's have strategically positioned themselves by opening modern retail formats across the country so as to lever their customer base. Amidst, 51% FDI in multi-brand retail policy effect has embarked the foreign giants like Wal-Mart, Carrefour, IKEA, Tesco and Metro AG to have their big bites. The estimated value of the Indian retail sector is about USD 500 billion presently and it is believed that India's retail sector will become a USD 1.3 trillion opportunity by 2020. Modern retailers and Fast moving consumer goods (FMCG) majors, the spinning wheels of Indian retail, will not only have to capitalise on huge consumer base by increasing their store presence across major cities but will also have to look beyond the conventional brick-and-mortar stores, and consider other avenues like digital and mobile sales notably websites and mobile applications, which at present are miniscule.

It is estimated that in 2020 there will be close to 200 cities with population of over 0.5 million that will fuel retail growth in India. With the advent of multi-channel retailing, time has come for a more robust and symbiotic relationships between retailers and FMCG companies, as this opportunity is the one which will accelerate the retail industry much faster than expected to make India a globally renowned destination for retailing. This paper offers a framework of the present retail scenario in India based on which the future growth prospects and developmental issues are analysed as the challenges are immense and equally are the rewards.

Keywords: Foreign Direct Investment (FDI), Multi-brand retail, Economic Reforms, Modern Retail, Multi-Channel Retailing, FMCG

Introduction:

India's retail industry is evolving at a greater speed, stimulated by effervescent and sturdy economy, encouraging demographics, growing wealth levels, the fast changing lifestyles and consumer aspirations of ever growing youth and the middle class. India's present retail sector



scenario is undergoing a vivacious change as the country sees every moment and times some major announcements by retailers and property developers to pursue aggressive programmes for retail expansion and shopping centre development; or announcements about the advent of new market participants or the forming of new joint ventures with foreign retailers. India's cities are witnessing a swift change from traditional form of retailing into organised form of modern retailing and this transition is certainly a game changer to accelerate growth and transform India's retail in the coming decade. Promising boom in retail sector is offering remarkable real estate opportunities as the new market is undergoing structural change at an exceptional rate. The demographic and economic statistics that emphasizes the progressive expansion of India's retail sector are really exciting.

Indian Retail Sector: An Overview

India's rising consumerism and the advent of modern retail formats, makes it is one of the fastest growing retail markets in the world. India's retail market is anticipated to touch US\$ 1.3 trillion by 2020, ranking it one of the top retail markets in the world. Currently India's retail industry is estimated to be US \$ 500 billions and organised modern retail with its share close to 6%, is estimated to be US\$ 27 billion. More importantly organized retail market, with the compounded annual growth rate of 40%, is anticipated at US\$ 107 billion by the year 2013 and by 2020 it would be close to US\$ 300 billions. Going by the McKinsey Report, "The Bird of Gold: The rise of Indian Consumer Market", by the year 2025, the Indian consumer market is expected to grow four fold.

A US\$ 1 trillion Opportunity

Unarguably US\$ 1.3 trillion is a huge opportunity and 70% of the growth is expected from urban centres. The transformation of the rural and urban retail landscape has begun. There are abundant opportunities for new retail formats to emerge as India's urban population is expected to double to almost 600 million people by 2020. Indian Retail Sector's transformation is being driven by four critical enabling factors: (i) Richer and Evolving Customers (ii) New Consumption Hubs (iii) Enabling Ecosystem and (iv) Supporting Regulation.

Retail Sector poised for phenomenal growth

Source: India Shopping Trends, 2008 – Technopak



MAJOR CATEGORIES OF INDIAN RETAIL

a. India's apparel retail to touch Rs 4.70 lakh cr by 2020: India's textile and apparel industry (domestic and exports) is expected to grow from Rs 3.27 lakh crores to Rs 10.32 lakh crore by 2020, says a new research report by Technopak Advisors, a leading management consultancy. The report also reveals that the domestic apparel retail market was worth Rs 1.54 lakh crores in 2009 and will touch Rs 4.70 lakh crores by 2020.

b. Food and Grocery (F & G) Retail Market in India: As per NABARD's E-Book report India's over all food retail accounted for Rs.10,673 billions during the period of 2008-09 while organised food retail for the same period recorded for Rs.150 billions. The report also predicts that food retail will grow to the size of Rs.32,696 billions by 2020 while organised food retail may grow to Rs.690 billions.

c. China, India may lead retail real estate investment by 2020: In the report released recently, titled 'Redefining Retail Investment: Global Real Estate Futures', the global real estate services firm, ranked the two Asian countries China and India on the top of the Real Estate Momentum Index, which identifies countries with the strongest momentum in consumer, retailer, developer and investor activity.



MAJOR RETAIL FORMATS:

Emerging retail formats evolving through decades

Format	Description	Retailers
Hypermarkets	Offering basket of product	Spencers, Big bazaar
Cash and Carry	Bulk-buying requirement	Bharti-wal-mart
Departmental stores	Large layout, Wide merchandise mix	Lifestyle , Globus
Supermarkets	Household product as well as food as integral part of the service	Apna bazaar , food bazaar
Shop-in-shop	Shops located in shopping malls	Navras (big bazaar)
Specialty stores	Focus on individual product type	Brand Factory
Category killers	Particular segment	The LOFT
Discount stores	Branded product at discounted prices	Subhiksha, levi's outlet
Convenience stores	Small Retail stores	In and out

Source: A T Kearney Citigroup Research Report

FDI IN MULTI-BRAND-RETAIL POLICY: A BRIEF OVERVIEW

The proposal to allow 51% FDI in MBR was passed and notified by the government of India in 2012. States will get the option to decide whether they want to implement FDI or not. As of now, Andhra, Assam, Delhi, Haryana, Jammu & Kashmir, Maharashtra, Manipur, Rajasthan, Uttarakhand and the Union Territories of Daman & Diu and Dadra and Nagar Haveli have endorsed FDI. Mandatory investment of \$100 million in the first three years by foreign retailers and at least 50 per cent of the total investment has to be in backend infrastructure.

MAJOR PLAYERS IN INDIAN RETAIL MARKET

. Some of the key domestic players in the Indian retail market with a dominant share are:

- ✚ Pantaloon Retail Ltd of Future group venture, Shoppers Stop Ltd, Spencer's Retail of RPG Enterprises, Reliance Fresh of Reliance Industries Limited, and Lifestyle Retail of Landmark group venture
- ✚ Other major domestic players in India are Bharti Retail, Tata Trent, Globus, Aditya Birla 'More', and Reliance retail.
- ✚ Some of the major foreign players are: Carrefour of France, Germany-based Metro, Walmart of U.S, Tesco Plc and Marks & Spencers of Britain.



THE 21ST CENTURY LANDSCAPE OF INDIA:

I. The Trends of Indian Cities: A Glance

a. Maturing Cities: Delhi and Mumbai are the two largest Indian cities in terms of number of shopping malls and organised retailers. Though, there are notable market gaps. Both these metros have enormous and diverse potential to accommodate a wide variety of new formats, such as one-stop malls, speciality malls, hypermarkets, smaller neighbourhood malls and “big box” retailing.

b. Transitional Cities: Transitional Cities are now firmly making their mark on the retail sector. Bangalore, Kolkata, Hyderabad, Pune, Ahmedabad and Chennai all have significant mall development in the pipeline.

c. High Growth Cities: High growth cities are cities with substantial consumer spending power such as Ludhiana. India’s most important tourist cities such as Chandigarh, Lucknow, Surat, Vadodara, Kochi and Jaipur are rapidly growing IT hubs of the country. These cities also derive importance due to infrastructure and real estate development. These cities have high potential as consumer spending in these cities is high as well for retailers to cash-in on the opportunity.

d. Emerging Cities: Cities such as Coimbatore, Mysore, Thiruvananthapuram, Mangalore, Vizag, Nagpur, Bhubaneswar, Nashik and Indore are on rapid growth path as the real estate, infrastructure, manufacturing and its allied industries are rapidly expanding with the workforces galvanising from all parts of the country and the world. This change in turn is stimulating retailer activities.

e. Nascent Cities: There are 19 smaller cities most of which have populations between 1 and 1.5 million are classified as the cities at beginning of their growth trajectory. These nascent state cities are largely the constituents of lower per capita income population and limited corporate activity. These cities have huge potential for retailing in the years to come.

II. The Vital Drivers: The Readiness Indicators of Indian Retail Sector

a. A Masterpiece of Modernisation: The drivers of modernisation’s upward growth trajectory are the critical enabling factors such as richer and evolving customers, emerging new consumption patterns, rapidly expanding demographics and more supportive regulatory mechanism. This is why the Indian retail market is seen by both domestic and international retailers, as well as the property industry, as one of the globe’s greatest untapped market.

b. Richer and Evolving Large Consumer Base: The purchasing power of the middle class and the earning youth has increased sharply as their disposable income has increased in the recent years. Any income beyond the average income stimulates people towards spending. The average income level in India is expected to grow at 6-8%, and this means India as nation is moving from the level of sustenance to lifestyle spending. These factors to spurt in consumption are certainly a greater indicator for international brands to step in.



c. Favourable Demographics: Two-thirds of India’s 1.27 billion population is below 35. It has one of the youngest populations in the world, with a median age of 25 years comparing with China where the median age is 33 years. India’s demographic dividend is strongly youth oriented. By 2020, India will be the only country to have its huge chunk of population as youngest with a median age of 28 years in comparison with any other country in the world.

Median Age (Years)

Country	2005	2010	2015	2020
Unites States	36	37	37	38
Japan	43	44	46	48
China	32	34	36	38
Germany	42	44	46	47
Brazil	27	29	31	33
India	23	25	26	28

Source: UN Population Division, Median –fertility variant 2010-2100 &

NCAER

d. Rapid Urbanisation: The country is urbanising at a rapid rate, with almost 53 cities over one million population. India’s mega cities Mumbai and Delhi will be the world’s 2nd and 3rd largest cities by 2015, providing enormous potential for retailing.

e. India’s Economic boom amidst the global slowdown: India’s GDP currently growing at around 7% is far better performing than many other leading countries in the world, is supported by the fast growing FDI, economic reforms and policy liberalisation. Economists predict expect 7-9% annual growth over the next five years means strong growth in consumer demand is on cards as well.

f. Growing Middle Classes: The growing middle class are an important factor contributing to India’s retail growth. Currently India has 31.4 million middle class households (160 million individuals). A report by National Council for Applied Economic Research's (NCAER) Centre for Macro Consumer Research said by 2015-16, India will be a country of 53.3 million middle class households, translating into 267 million people falling in the category. All these means there is a huge opportunity for retailing in India. The retailers’ target segments largely are the middle income groups and this segment is likely to grow circa 40% of the total population of the country by 2020.

g. The Emergence of Organised Retailing: It is estimated that 95% of India’s retailing is occupied by traditional retail comprising ‘kirana’ shops or ‘mom and pop’ stores including street selling and pavement shops. Only 5% is organised modern retailing. Post liberalisation and economic reforms, India’s cities are witnessing a paradigm shift from traditional form of



retailing into organised modern retailing. International brands have brought in standard retail formats, providing massive opportunities for the property market too.

Advantages of Modern Organised Retail

Modern Organised Retail	
i	Low operating cost and overheads(low priced)
ii	Long operating hours(Convenience shopping)
iii	Range and variety of goods(Choice)
iv	Quality assurance (Brand related and durability)
v	Strong Customer relations(Customer Care)

h.

Resourceful Young Women: Women empowerment in India has set in the materialization of women entrepreneurs and women workforce resulting in the emergence of “Resourceful Young Women”. They are young, literate and resourceful; they place a heavy emphasis on their careers and they have a very self oriented motivation for spending. Resourceful Young Women have a significant influence on Indian retailing and 46% of them see shopping as a source of pleasure compared to 36% globally.

i. Young Urban Managers: This is the most vibrant resource of the Indian economy. They are highly entrepreneurial, hard working, money focused and are keen networkers. Their shopping habits are driven by a quest for status and economic advancement. With their busy careers and limited leisure time, their shopping needs are highly influenced by accessibility and convenience.

j. Sizeable Market for Many International Companies: The high growth potential of the Indian economy has attracted many global companies, of which several rank India as one of their critical markets and are making serious investments in the country. Many companies already derive a significant share of their business and profits from India.

k. Growing Aspiration Levels

- ✚ India’s population of high net worth individuals (HNWI) has moved into the world’s top 12, just behind Italy and Brazil. It is poised to become more than triple by 2015. India is next only to USA and China in the number of billionaires per country. A Forbes report suggests that 4% of the world’s billionaires are Indians. Due to the growth in the HNWI segment, Indians are increasingly displaying aspirations for world-class products and are purchasing world class luxury items.
- ✚ India’s luxury car market has grown at a compounded annual growth rate of 22% over the last three years since 2008. It has witnessed the entry of brands like BMW, Audi, Bentley, Jaguar, Porsche and Land Rover. Amidst India’s larger metros have seen many



of these brands establish their shops, smaller cities too are increasingly interested in luxury car brands only shows that India's purchasing power is increasing faster than never before. This economic perspective is one more fact about India that it is certainly envisioned to become one of the top spots in the world for retailing.

INDIA'S CURRENT POSITION

The US-based global management consulting firm, A T Kearney, in its Global Retail Development Index (GRDI) 2011, has ranked India as the fourth most attractive nation for retail investment, among 30 emerging markets.

CONCLUSION:

Emergence of Indian retail sector as one of the most attractive retail destinations in the world is certainly a great opportunity to cherish with since it would also help India move up to the order of economic super powers of the world. This paper lays out before the reader the state of the Indian retail sector at a moment in time when India's retail sector is vibrantly emerging with its economy growing in leaps and bounds. At the time when the government at the centre obliging with favourable policies and when many of the states showing interest in engaging foreign investments in retail, the retail sector is a caravan that no one wants to miss in India. With the abundance of opportunities in the land of ever growing consumerism and modernity it is certain that India will become one of the world class retailing destinations in the years to come.

REFERENCES:

- "Ready for the Transition" Ernst & Young's attractiveness survey 2012
- "IKEA shelves Indian retail market move". The Financial Times. 22 January 2012.
- "FDI POLICY IN MULTI BRAND RETAIL". Ministry of Commerce, Government of India. November 2012.
- TCS Report, The Indian Economy and Growth Potential 2012
- A T Kearney, Global Retail Development Index (GRDI) 2011
- Indian retail: The supermarket's last frontier". The Economist. 3 December 2011.
- "Retail Global Expansion: A Portfolio of Opportunities". AT Kearney. 2011
- INDIAN RETAIL INDUSTRY: A Report". CARE Research. March 2011.
- "Global Powers of Retailing 2011". Deloitte 2011
- "Walmart Asia to make India an export hub". Business Standard. April 14, 2010.
- India Retail Report- Technopak Study. 2010
- Global Industry Analysts Inc (GIA) Report 2010
- E-Book Report, NABARD 2008-09
- Jones Lang LaSalle Report: 'Redefining Retail Investments: Global Retail Real Estates Future' 2008
- <http://www.fashionunited.in/news/fashion/indian-retail-to-touch-rs-37-lakh-crores-by-2020>
- www.pwc.com/india
- www.deloitte.com/in