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# A Portray of Indian Retail Industry: Changing Facets and Global Competitiveness

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*Indian retail industry is an age old pillar of Indian economy, with the continuously changing facets. Over a period of time a big transition has taken place in this industry. Various factors such as increasing disposable income, rapid urbanization, changing FDI climate and mushrooming middle class have created favorable environment for the organized retail to flourish and grow. Viewing the future growth prospects, many of the big business players have entered in the Indian retail industry. This has given birth to large number of new retail formats like super markets, hyper markets, department stores and shopping malls etc. Even the foreign retail giants are also making their ways to enter into India's almost untapped retail market. Although Indian retail has touched great heights over a period of time, still there is long journey to travel. This sunrise sector of India is still at a nascent stage of its development cycle. The unexploited Indian retail backed by supportive growth factors provides huge scope for new entrants. The International consulting firm A.T. Kearney's global retail development index (2013) that compared 30 emerging countries has ranked India as 14th most attractive market for global players to invest in. Thus Indian retail market is the minimal explored market with the right platform to play the retail game.*

**Keywords:** FDI, Indian retail, Retail formats.

## INTRODUCTION

Indian retail industry is an age old pillar of Indian economy, with the continuously changing facets. Over a period of time a big transition has taken place in this industry. Once there was a time when weekly markets and village fairs (melas) used to be the place of exchange. Afterwards there was an evolution of the popular concept of neighborhood Kirana stores. Emergence of Government backed Public Distribution System (PDS) and Khadi stores happened thereafter. Soon company owned exclusive outlets like Bombay dyeing, Liberty, and Titan etc. came into existence. In the last decade or so, entire scenario got changed with the entry of gigantic players in the retail sector. This big bang entry of the big players gave birth to large number of new retail formats like super markets, hyper markets, department stores and shopping malls etc. Future group controlled by Mr. Kishore Biyani and the Reliance group headed by Mr. Mukesh Ambani are the two big retail giants of India who have given a new life to the Indian retail industry. Future group has around 800 stores in various formats with a total retail space of 16.30 million square feet (Pantaloon Retail (I) Limited: Q2 / H 1 FY 2012 report). It has registered the net sale of 12212 crores for the year 2010-11 (PRIL annual report: 2010-11). Reliance group has 1300 stores across different formats (Reliance Industries Ltd.: Quarterly report, March 31, 2012) and registered Rs. 7599 crores of revenue for the financial year 2011-12 (The Times of India,

June 7, 2012). The company's membership program 'Reliance One' covers around 9 million members (Reliance Industries Ltd.: Quarterly report as on 31st March 2012). In addition to these, Raheja, Birla and Tata group are the other Indian players that have big hand in revamping the Indian retail industry. Raheja group, under the ownership of retail wing Shoppers stop Ltd. has around 250 stores across brands and formats (Annual report, 2011-12). Such a great expansion of Indian retailers within a short span of time itself highlights the growth potential of Indian retail sector. Table 1 provides a brief overview of India's major retail players.

Indian retail has become so fascinating that not only local investors but also investors from all over the world have become highly interested in it. The market size of Indian retail has been estimated in the range of US\$ 350 billion to US\$470 billion in the year 2011 by various research agencies. Pricewaterhouse Coopers (PwC) report (Oct. 2011) estimated Indian retail at US\$ 350 billion, Deloitte report (2011) put it as US\$ 396 billion, A.T. Kearney report (2011) measured the size as around 435 billion and Technopak (2011) put the retail market size as US\$ 470 billion. Indian retail market has become Asia's 3rd largest retail market after China and Japan (PwC report, 2011). Contribution of Indian retail towards GDP is around 10% to 12% (Economic survey report, 2010-11). Its contribution towards employment is around 8%. Indian retail industry is gradually taking its steps towards growth. This growth of Indian retail is largely driven by factors like high potential for penetration into urban and rural markets, demographic changes which include more working women, increase in disposable income, increase in number of nuclear families, more spread of education, higher income with youth, change in life style, steady economic growth and growth of middle class segment.

All these changes in consumer profile have given birth to a more empowered, demanding and smarter consumers. Now meaning of shopping has altered

for the consumer. For today's consumer, shopping is much more than just buying the commodity. It has become a leisure activity too. Hence, definition of retailer has also got broadened. Earlier retailer was seen as a person who buys goods in bulk and sells it to consumer in smaller quantity. They were just defined as a middleman who serves as a link between manufacturer and the consumer. But because of increasing customer expectations, retailers have expanded their scope of services. Now a day's retailers are not only supposed to provide basic goods or services but they are expected to sell the total shopping experience to the consumer. All the amenities such as convenient location, parking facility, polite sales personnel, good ambience, credit facility and easy purchase through displays; jointly forms a total shopping experience. This total shopping experience package may differ from retailer to retailer depending upon their positioning strategies and customer to customer depending upon their perceptions. BMI Q1 2012 report revealed that enhancement of middle and upper class consumer base would provide huge opportunities for retail development in Tier II and Tier III cities as well.

## STRUCTURE OF INDIAN RETAIL

Way-back in earlier times, Indian retail was confined only to Kirana stores, but now it has become multi facet. Infusion of new blood by organized players has brought several new formats to the Indian retail industry. A brief overview of commonly found formats is given in table 2.

### *Foreign Players Eying on Indian Retail Industry*

India's almost untapped retail market has made the foreign retail giants eager to enter into Indian retail industry. Franchising is most widely used entry route opted by international retailers such as Baskin Robin's, McDonald's, Nike etc. to step into India. Keeping in mind the necessity of foreign investment for the growth of retail sector, Indian Government

has also taken series of steps to open up FDI restrictions. In the year 1997, it allowed foreign investment up to 100% in cash and carry (wholesale) format under the Government approval route. Then to further liberalize the rules, the Government in the year 2006, lifted the restriction of Government approval and allowed the investments through automatic route in cash and carry format. In addition to it, Government also gave permission to foreign investors to invest up to 51% in single brand retail. Due to these liberalized norms we can see the presence of various international retailers such as Mango, Reebok, Sony, Carrefour, Bharti-Walmart etc.

A year back the Government has framed new policy to allow 100% FDI in single brand retailing with a constraint that 30% sourcing must be local (The Economic Times, Jan 14, 2012). It was a positive sign for retailers dealing in single brand only. To grab this opportunity IKEA, a Swedish furniture giant has come forward with its proposal to invest 1.5 billion Euros (10500 crores INR) in India. Its plan is to set up 25 single brand furniture retail stores. The company has planned to invest in two phases. At first it would invest 600 million Euros (around 4200 crores INR) and then additional 900 euro (around 6300 crores INR) will be invested later on. (The Financial Express, June 23, 2012).

To boost the growth rate of Indian retail, Indian Government had been making efforts to open up FDI in multiple brand retailing too for the last few months. Finally after long drawn discussions, Government has succeeded in opening up of FDI up to the limit of 51%. Keeping in mind the interest of Indian country, multi-brand retailing decision is embedded with certain regulatory conditions. As per the rules, foreign players are required to have investment of minimum \$100 million and they are supposed to invest 50% of the total FDI in backend infrastructure within the initial three years of investment. Furthermore similar to the single brand retailing condition, they are required to source 30% of products from Indian small scale industries. The

government has also stated condition of compulsory approval from state Government At present foreign investors are kept out of e-commerce retailing. Though restricted, yet opening of doors for foreign investors in multi-brand would provide ample investment opportunities for global retailers who have been waiting to invest in India. This would further shoot up the growth of organized retail and enhance the level of competition too.

## UN-EXPLOITED NATURE OF INDIAN RETAIL IN COMPARISON TO GLOBAL COUNTERPARTS

Although Indian retail has touched great heights over a period of time, still there is long journey to travel. This sunrise sector of India is still at a nascent stage of its development cycle. Growth of Indian organized retail is least among BRICS (Brazil, Russia, India, China, and South Africa) nations. As per IBEF (India Brand Equity Foundation) report (2010), the growth of organized retail in India is just 5 percent, lowest compared to Brazil (36%), Russia (33%) and China (20%). The growth of organized share is also very high in South Africa that is 67% (Asipac report, 2010). Fig. 1 represents organized retail share of BRICS nations.

Brazil, Russia, China and South Africa are among those countries who have allowed 100% FDI even in multiple brand retailing. This is the major growth factor due to which organized retail flourished there with a great pace. As far as India is concerned, it has just announced the opening up of FDI in multiple brand retailing. It has yet to taste that growth and expansion. If we compare India's growth of organized retail sector with the developed nations it is far behind. In developed countries, the penetration of organized retail is as high as around 80% or even more. The share of organized retail in France is 80% and in US is 85% (IBEF report, 2010). The low penetration of organized retail in India as compared

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to other nations clearly indicates the growth opportunities available in Indian market for the retailers.

In India organized retail is just the story of few past years. Indian players have just started their journey in this direction. If we look at the world's top 250 retailers (on sales basis), India has no place in it. The list contains several retailers from the BRICS nations other than India.

Table 3 highlights the BRICS nations that have their retailers in the world's list of top 250 retailers.

The absence of Indian retailers from the world top list highlights the unexploited nature of Indian retail sector. In fact till the year 2006 no retailer from entire Asia Pacific region was there in the world's top 250 retailers list, but with in a short span of time, 5 retailers from China alone are there in world's top list. Among BRICS nations, maximum numbers of retailers are from South Africa.

The unexploited Indian retail backed by supportive growth factors provides huge scope for new entrants. The International consulting firm, A.T. Kearney, in its global retail development index (2014) that compared 30 emerging countries, has ranked India as 20th most attractive market for global players. Table 4 provides the list of top 10 attractive markets as per A. T. Kearney Index 2012.

The A.T. Kearney report (2012) highlighted that India's strong macroeconomic factors such as GDP growth rate, increasing disposable income, rapid urbanization, changing FDI climate, mushrooming middle class are the key reasons that have made Indian retail sector young and attractive.

Share of private consumption, an important factor influencing the retail growth is highest in India (58%) as compared to Japan (57%) and China (39%). In developed country like USA the share is as high as around 70% (Technopak, 2011).

The satisfactory GDP growth rate around 7.2% as compared to Brazil 2.7%, Russia 4.3%, China 9.2%, Japan -0.7%, US 1.7% and UK 0.7% (CIA world fact book-2011 est.), represents the country's overall potential for the growth of any trade. Moreover India has large base of young population with median age of 23 against the world's median age of 35 (IBEF report, 2010). A large base of 500 million people who are young below 25 and independent, have created positive growth environment for retail in India. In addition to it, vast base of around 300 million people in middle class segment which is almost equivalent to entire US population has made it even more attractive to global eyes (NCAER, 2005; PwC, Oct. 2011).

## CONCLUSION

Based on the above facts and discussion, it can be clearly stated that Indian retail market is the minimal explored market with the right platform to play the retail game. Marketers can try their fates to exploit this potential gold mine. The only thing they need is to understand the roots of this market that is the Indian consumers. They should be aware about the consumer preferences and requirements. As today's consumer is very smart and demanding, retailers are required to match the ever increasing consumer's expectations. To survive in Indian dynamic and competitive retail market, retailer should proactively frame the marketing strategies to please the Indian consumers.

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**Table 1: A glance at Indian Retail Giants**

Retail Giants	Retail Umbrella	Number of Outlets	Source
<b>• Future group</b> o Pantaloon Retail Ltd.	Pantaloon Central mall and Brand factory e- Zone Home town Others	<b>795</b> 64 38 43 15 156	Q 2 / H 1 FY2012 report
o Future Value Retail Ltd.	Big Bazaar Food bazaar Fair Price Others	157 47 224 58	
<b>• K Raheja group</b> o Shoppers stop ltd.	Shoppers Stop Homestop Crossword HyperCity Mothercare MAC stores Estee lauder Clinique Timezone	<b>250</b> 51 11 85 12 38 20 5 10 18	(Annual report 2011-12)
<b>• Tata retail</b> o Trent	Landmark Star Bazaar Westside Zaara	<b>942</b> 21 14 62 7	Company Brochure
o Infinite Retail o Titan industries	Croma Titan watches Tanishq Boutiques Gold plus Titan eye+	73 420 130 30 185	
<b>• Reliance group</b> o Reliance Retail Ltd.	Reliance Fresh Reliance Market Reliance Mart Delight Reliance iStore Reliance Digital Reliance Trends Reliance Footprint Reliance Jewels Reliance Time-Out Reliance Living Reliance AutoZone	<b>1300</b>	Quarterly report as on 31st March 2012); Company website ( <a href="http://www.reliance-tracker.in/">http://www.reliance-tracker.in/</a> )

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Retail Giants	Retail Umbrella	Number of Outlets	Source
<b>• Birla group</b> o Aditya Birla Retail Ltd.	More. More. mega store	<b>3116</b> 575 supermarket 12 hypermarket 1129 exclusive brand outlets 1400 departmental stores & multi brand outlets	Company Website (2011-12 annual report)
o Aditya birla nuvo#	Madura Fashion & lifestyles		

# Aditya birla group has recently acquired 50% ownership of Pantaloon retail  
(Source: [www.timesofindia.com](http://www.timesofindia.com))

**Table 2: Retail Store Formats**

Format	Average Size	Products	Value proposition	Example
Departmental Store	10000-60000 sq.ft.*	Deals in multiple products such as apparel, footwear, home accessories and furnishings etc. under different departments.	Focus is on ambience and service	Westside
Super market	1000- 4000 sq.ft. #	Deals majority in food items, limited range of non food items such as cosmetics and general aid products.	Convenience and Service	Food Bazaar
Hyper market	50000-100000sq.ft.*	Food & grocery, apparel, footwear, electronics, handlooms, kitchen appliances, furniture etc.	Shopping under one roof and discounts	Big Bazaar
Specialty Store / Category Killer	-	Extensive range of product under a Single category Narrow product line with high depth	Choice (product variants)	Crossword, Music world, Vision Express
Cash and Carry Stores	75000 sq.ft.*	High volume of products catering to bulk requirement	Low price	Metro, Bharti-Walmart
Online Stores (e-retailing)	-	Exclusive stores as well as multiproduct stores	Allow shopping under home roof (any location), 24*7 shopping facility	snapdeal.com, flipkart.com

\*ICRIER, 2008  
# Sinha, Mathew, and Kansal, 2005



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Table 2: Retail Store Formats		
Retail company	Country	Rank in list of world's top 250 retailers
X5 Retail Group N.V.	Russia	83
Open joint stock comp. Magnitt	Russia	124
Lojas Americanas SA	Brazil	158
Grupo pao de Acucar	Brazil	45
Gome Home Appliances	China	75
Suning appliance co.ltd.	China	84
Dallan Deshang group	China	141
Nonggongshang supermarket	China	220
Ballan group	China	66
Shoprite Holdings Ltd.	S. Africa	92
Massmart Holdings Ltd.	S. Africa	126
Pick n Pay Stores Ltd.	S. Africa	133
The SPAR Group Ltd.	S. Africa	179
Steinhoff International Holdings Ltd.	S. Africa	218
Woolworths Holdings Ltd.	S. Africa	222

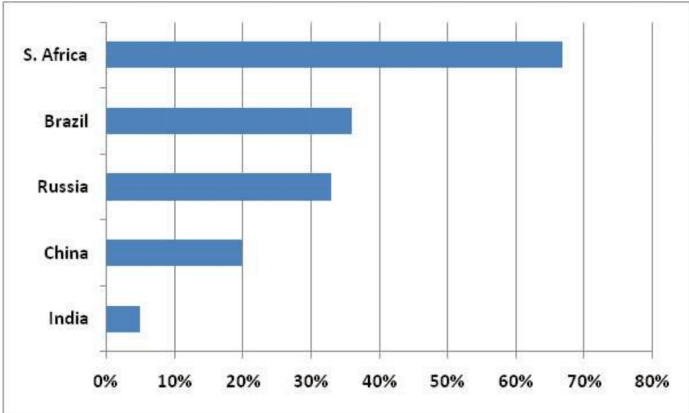
Source: Deloitte 'Switching channels: Global powers of retailing2012'

Table 4: Global Retail Development Index	
Country	Rank (2014)
Chile	1
China	2
Uruguay	3
U.A.E.	4
Brazil	5
Armenia	6
Georgia	7
Kuwait	8
Malaysia	9
Kazakhstan	10
India	20

Source: A.T. Kearney: 2014 Global Retail Development Index

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Fig 1: Share of Organized Retail - Comparison of BRICS Nations



Source: IBEF report, 2010 and asipac report, 2010