

INDIA RETAIL REPORT

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A TERM REPORT ON THE WORLD'S MOST EXCITING RETAIL MARKET
Sizing • Sectors • Key Players • Opportunities • Challenges • Future



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A WORD ABOUT IMAGES



The Images Group is trusted as the catalyst for profitable growth of modern retail through knowledge platform leadership.

A strong portfolio of B2B publications covering all verticals of retail have served, since 1992, to inform, advise and inspire leaders and decision makers of the industry.

The need to connect businesses, people, knowledge and ideas associated with modern retail is served by Images Business Exhibitions and Networking Meets. Conducted alongside these, the Images Knowledge Forums and Conferences featuring global leaders inspire not just debate and discussion, but policy decisions too.

Images Awards are respected for their accurate, unbiased, and transparent assessment and also the recognition and celebration of retail excellence. Other Images initiatives in Business Intelligence, Real Estate & Retail Research, and On-line Community Building also play important roles in further developing the world's most attractive retail destination – India.



PREFACE

After a sustained period of painfully sluggish growth, the Indian economy looks set to turn the corner. Our economy expanded at its fastest pace in two-and-a-half years in the first quarter of the current fiscal year. Today the economic sentiment is upbeat and the domestic and the foreign businesses are beginning to view prospects in India much more favourably than they had done in the past few years.

Our Government has prioritized people's welfare through a widespread network of measures aimed at generating employment, multiplying income and helping families deal with inflationary pressures. India is the fastest growing, most exciting and challenging retail market for the world today. Because our market is so diverse and so vast, I believe that in addition to large scale national chains, opportunities to create speciality and regional retail concepts are also immense. Localised models operated with global best-in-class systems can be highly lucrative in practically every part of the country. Along with satisfying customer needs, such businesses can also generate employment, boost infrastructure, and have the potential to uplift entire communities.

The youth of today have huge dreams and aspirations of a better, fuller life. In this digital age, demands change fast and aspirations climb by the hour. I appreciate the challenges that the retail sector and allied businesses face, and we would like to create a retail sector that is not just growing rapidly, but also efficiently to play a significant role in addressing issues of inflation, apart from inclusive growth providing huge employment opportunity to our youth. Unless our nation's prosperity permeates every village, town and street, our growth will not be sustainable.

The 2015 edition of the India Retail Report comes at the cusp of the economy looking up. I am pleased to note that the report finds that India's current retail market has grown by an average of 16-18% per annum over the last decade to reach where it is today and that it is expected to grow at a stable rate of around 16% over next three years. I expect that in coming years the growth in the Indian retail sector would supplement and complement the growth in Indian manufacturing in a very significant manner.



Nirmala Sitharaman
Minister of State (Independent Charge)
Commerce & Industry, India



सत्यमेव जयते

PREFACE

Our great nation has been blessed with natural resources the quality and quantity of which many other nations can only dream of. From rich agricultural lands, to flora-and-fauna-rich forests, rivers, coastal treasures and enchantingly diverse topography, India is fertile ground for all round prosperity and abundance. Or it should be.


If our actual growth through the past several decades has not matched the potential, it can only be attributed to the misuse or underuse of our vast resources. And this has largely occurred due to the under-development of complimentary support systems to maximise gains from our natural assets. Our infrastructure – be that in the form of road and rail networks, cold storages, human resource or logistics frameworks – have received less-than-optimal attention and investments for far too long. The result has been an under-performing economy that has not been delivering equitable growth for all citizens.

The government dreams – and indeed, has firm intention – to strengthen and ensure sustainable, long-term and inclusive growth. And we need the retail segment to partner with us on this objective – intellectually as well as operationally. As retailers, all of you are already playing an important role in streamlining the entire value and supply chain processes from factory floors and farms to consumer. I believe that as Indians, it is not just our responsibility, but also our duty to attract investments in building world-class supply chain mechanisms that deliver efficiency and profitability for the entire nation.

Our Prime Minister Shri Narendra Modi strongly believes in the idea of facilitating global investment in India, as he extols his 'Make in India' rallying cry. On behalf of his government, I invite the world to invest in this great land of opportunity, and to make India their strongest production base. In return, we promise a highly empowered and responsive business environment that encourages and facilitates investment and operations, and delivers highly lucrative returns.

We must drive towards becoming a truly independent, self-sufficient economy in all respects, while continuously studying and learning from best practices and innovative thoughts from around the world. Through this knowledge-laden report, I would like to invite you all to partner with our Government to rapidly strengthen India's manufacturing base and supply chain efficiencies, through active sharing of knowledge and investments in our infrastructure – so crucial for the prosperity of modern Indian retail.

I congratulate IMAGES Group on the launch of India Retail Report 2015, and hope this massive effort to decipher and publicise the achievements, opportunities and challenges of Indian retail is duly utilised by the business community, to invest in the creation of a new, powerful and mutually-beneficial Indian economic landscape.



Amitabh Kant

Secretary, Department of Industrial Policy and Promotion (DIPP)
Ministry of Commerce & Industry, Government of India



FOREWORD

Until some time ago the generic retail war cry was about consumers changing across India. Cut to 2014, the consumer has already changed, moved on, and in some cases, also moved away. No longer is it a question of making continuous enhancements to match changing consumer behaviours. I think the transformation in consumers' thought processes and demands is so dramatic that it may perhaps warrant a complete reinvention of the retailing wheel.

I think it may be fair to say that in many ways, retailing in India is not keeping pace with the consumer. Some of it may be due to the fractured collaborations between suppliers and retailers; in addressing short term gains, they have not optimised the larger potential that exists in identifying gaping holes in their offers by mutually collaborating on sharing insights and data. A silo-based approach to supply chain partnership may deliver returns in the short term, but does not benefit either retailer or manufacturer in the long run.

The Indian consumer, on the other hand, is increasingly connected to his or her peers in other parts of the world, and is becoming more and more demanding of product, price and presentation. The Indian youth – who make up for over 60 per cent of the population – have a radically new approach to lifestyle, spending and 'entitlements'. They believe they deserve the best, and therefore, can be ruthless in ditching options that don't match up. While retailing as a business is growing rapidly, with modern trade outstripping the total segment's growth rate, I believe we are still some distance away from even realising the potential of getting consumers to spend more. Some say technology has actually damaged the prospects of many retailers. I don't agree. I believe this new digital age has, in fact, multiplied the possibilities, given retailers incredible new opportunities and powerful new tools to influence demand.

As an organisation that sees itself as a retail catalyst, at IMAGES, we don't specialise in solving problems. Our mission is to create opportunities, to facilitate the sharing of knowledge and creation of new ideas. Away from the hard facts and numbers presented in this edition of India Retail Report, you will also find extensive analyses from industry pundits. This reflects our aim – to provoke thought, and help in the creation of a culture of proactive innovation.



Amitabh Taneja
CMD and Editor in Chief
Images Group



FOREWORD

A fresh wind of change is blowing across India. I think I may speak for most Indian citizens, when I say that the country has unprecedented hopes from the new government at the Centre, which has stated firm intentions to transform India's business and civic climate.

Published against the background of this palpable positivity in the Indian landscape, the 11th edition of the India Retail Report also confirms that the nation's current retail market is currently worth Rs.3,893,425 crores, and has grown by an average of 16-18% per annum over the last decade to reach where it is today. As per IMAGES estimates, the report projects a growth rate of about 16 per cent over next three years for the Indian retailing sector, to touch Rs.6,156,333 crores by 2017. Of the total retail market, modern retail, which is valued at Rs.381,078 crores, accounted for 9.8 per cent of total retail. It grew by 30 per cent at an average during the past five years, and is expected to gather even more pace over the next 2-3 years.

Despite the spread of consumerism across all income brackets, the challenge for Indian retailing continues to be in macro impediments in the form of under-performing supply chain systems, infrastructure and regulatory environments, and inflationary pressures on operational costs and consumers' budgets. However, on the positive side, our new policy makers at the Centre have already initiated small but critical changes to the Indian business climate with the intention of making it more investor-friendly. Infrastructural upgradation appears to be high on the government's agenda, as also simplifying bureaucratic complexities.

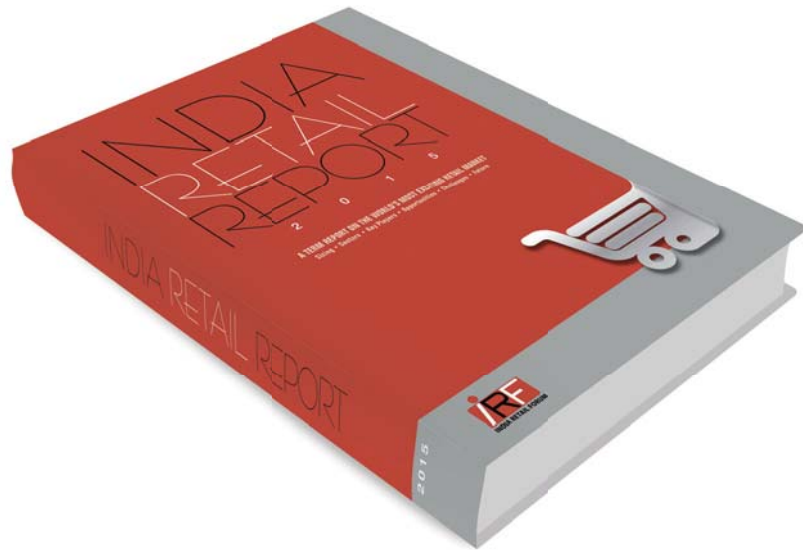
While there is no question of the growth prospects of Indian retailing, what is really relevant is its character. The youngest nation on the planet is also now highly aware, technologically-connected and highly demanding. Retailers and allied businesses will need to keep pace with the sweeping changes in consumer behaviour, and raise the bar significantly on product, price and presentation if they are to ride this transformation successfully.



R S Roy

Editorial Director, Images Group





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INDIAN RETAIL MARKET 2014

It has always been interesting to talk about dynamic Indian Retail market with lot of enthusiasm for quite some years now. This market has been on a growth trajectory since the turn of new millennium. The growth has been attributed to the growing middle-class segment, rising incomes, larger share of disposable incomes in those incomes, growing aspiration for improved living standard, large population base and highest share of young population in the entire world. These factors are further influenced by media exposure, globalization of cultures, lifestyles and better technology at our disposal. From infrastructure perspective, the country has been well integrated through improved communication systems and modes, real estate development, urbanization, frequent travels by the population and growing service sector. This has given a push to support services and ancillary sectors which form the backbone of modern retail. These include shopping malls, IT vendors providing software and hardware support, logistic partners, vendors of raw material, finished goods and equipments, importers, professionals, investors and various other industry stakeholders who have helped the sector grow directly or indirectly.

Retail Majors

The modernisation of retail will have a lot to do with massive investments. Modern retail calls for technology, an efficient supply chain and logistics back-up, the development of retail real-estate and infrastructure, and, most of all, talent to envision, plan, create, and drive it.

The Indian corporates have begun to show great interest in modern retail. There are currently a few players who have established a presence. Big retailers worldwide are big employers and wealth-creators and are very significant entities in their economies. In many ways would decide the future of modern retail in India, is neither the pro- or anti-FDI lobbies. It is the drive, passion, dreams, leadership and decisiveness of these Indian corporates.

In the last edition we had said that it may take a decade or two for any retailer to reach the size and scale of their global counterparts. But we may be pleasantly surprised to be proven wrong very soon. There is a lot of excitement building up across the globe for India. We take a closer look at the retail businesses of some prominent Indian corporates – their journey so far and where they are headed.

By **Namita Bhagat** ■



Star Regional Retailers

Retailing in India is being driven also by an emerging group of progressive and modern regional retailers. We profile a select group who also are IRF Privilege Club members.

NATURAL ICE CREAM

When it comes to dessert, every Indian will confess to having a sweet tooth. And who can blame them? From Jalebis to Rasmalai to the ever popular Gulab Jamun, India's love for anything sweet dates back centuries. One epic creation rightfully credited to South Asia, is the Kulfi, India's beloved dessert is made up of fresh milk and mildly blended flavours to create a taste that defines perfection. Although popular in the sub-continent, the Kulfi could not reach the height of popularity like other desserts to reach the list of world favourites.

R.S. Kamath, founder of Natural Ice Cream pondered about this weary dessert situation. Thus, the creation of a sensational combination of Kulfi and ice cream came about. He wanted to share this creation with the rest of the world and started Natural Ice Cream at a small

parlour in Juhu, Mumbai in 1984, making way for a new era of frozen dessert in India. But like most successful businesses, success did not happen over night. The journey of R S Kamath, founder of Natural Ice Cream, was long and accounts to a quarter of a century.

The journey started in his younger years, while assisting his father, a fruit dealer, when he got his expertise in fruits. Later on, while working with his brother who ran a chain of eateries and served ice cream, he learnt all about ice cream. Natural Ice Cream is deeply rooted in tradition and uses traditional methods to make ice cream. Only the choicest and handpicked ingredients go into making our ice cream and most of them are sourced from India. We do not add any preservatives, stabilisers and artificial colours. The ice cream contains less air because it has a low overrun which makes it rich and creamy. Slowly and steadily the brand grew to great heights through word of mouth publicity spread by Mumbai's upper crust including noted film artists, politicians, sports players and so on...

Nature is abundant with intriguing flavours and one cannot pick out the best. Keeping this in mind, Natural Ice Cream introduces new flavours very often, using the best fruits, choicest nuts and premium local fresh milk.

With over 30 years of being in the business, 118 outlets across the country and the recently launched state-of-the-art factory in Mumbai, Natural Ice Cream is still raring to go places. And it is the rare combination of traditional methods and modern technology that will take us there.



SKIPPER FURNISHINGS

Skipper Furnishings, believes in evolving with time and for this it is very important to adapt and accept modern technologies. All the stores of Skipper Furnishings is effectively controlled and managed by a fully customized ERP system from Microsoft Navision, which helps us to monitor each actions of the store from making the quotation to completing the order and collecting payments.

They developed India's first ecommerce portal with made-to-measure option for curtains, which allows real time price calculation as per the size of the window of the customer. We are also present in most of the ecommerce portals enabling more selling points for the same stocks that are available in our warehouse.

They are also working on developing a virtual design room, which will help the customer to get an almost real picture

of how his/her room will look like as per the choice of the wallpapers, curtains, flooring, rugs and other interior products selected by the customer at a Skipper Furnishing store.





e-tailing in India @ inflection point

By Technopak

In India, the retail market is primarily served by traditional Brick & Mortar (B&M) stores which make up 92% of the total market. Organized B&M retail which has a ~ 8% share in the total retail pie is set to reach ~14% by the year 2020. However, this type of B&M retail will continue to face structural issues within the retailing ecosystem, which will be a challenge for retailers to address individually. E-tailing is emerging as a viable third alternative by which organized retail can expand its share of the total retail pie.

While e-tailing has been around for over a decade, the current wave of e-tailing started only around 2007. Though a lot has been said about the current e-tailing market structure, it has without doubt reached a scale where it attracts serious discussions from all quarters. Almost all Indian businesses are looking at e-tailing with an intellectual curiosity for determining the role e-tailing can play in their growth. Undoubtedly, we are witnessing the birth of a new industry which is at an inflection point where rules are being defined, future scenarios being constantly revisited, and businesses increasingly becoming convinced about the strength of e-tailing.

This outlook is a synopsis of the trends defining the e-tailing revolution at this inflection point.



Textile & Apparel Retailing

Future Implications for Supply Chain

By Technopak ■

The supply chain assumes a significance of immense dimensions as the textile and apparel sector is poised to become the first of the modern retail sectors in India to evolve onto a higher level of sophistication, at a substantial scale. These show certain immediate issues to be tackled and initiatives to be taken, that if delayed may be a huge opportunity loss.

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