

PICTURES Retail™

FUTURE OF BUSINESSES

AUGUST 2012 • VOL. 11 NO. 8

INDIA'S BEST SELLING MAGAZINE ON MODERN RETAIL

₹50 US\$10



INDIAN MODERN RETAIL

VISION 2020

WHAT DOES THE FUTURE HOLD FOR THE RETAIL INDUSTRY?



RETAIL EXCELLENCE
Sanjeev Mahajan
CEO
Spice Hotspot
Spicing up the Mobility Market



ENTREPRENEUR
Vikram Bhatt
Founder
ENRICH
An Accidental Entrepreneur

DLF Mall of India Presents



INDIA RETAIL FORUM 2012
10th-11th OCT, 2012
Mumbai, India

RIMAGES Retail™

www.indiaretailing.com

AUGUST 2012 • PAGES 136 • VOL. 11 NO. 8

Editor in Chief Amitabh Taneja
Editorial Director R S Roy
Publisher S P Taneja

Editorial

Editor-in-Charge Sanjay Choudhry (Deputy Editor)
Chief of Bureau (Mumbai) Nivedita J Pawar (Sr. Assoc. Editor)
Assistant Editor Priyanka Dasgupta
Copy Editor Shipra Sehgal
Sr. Correspondent Payal Kapoor
Correspondent (Kolkata) Shubhra Saini
Correspondent (Bangalore) Roshna Chandran

Creatives

Art Director Pawan Kumar Verma
Dy. Art Director Deepak Verma
Sr. Layout Designer Prakash Jha
Layout Designer Rakesh Kumar
Sr. Photographer Vipin Kardam

Circulation & Support

Assoc. VP - Circulation & Subscription Anil Nagar
General Manager - Administration Hemant Wadhawan
Sr. Manager - Circulation R P Singh
Dy. Manager - Operations Rajesh Kumar
Sr. Executive - Subscriptions Kiran Rawat

Production

General Manager Manish Kadam
Sr. Executive Ramesh Gupta

ADVERTISING

DELHI:
Vijay Bajaj, assoc. vice president
vijaybajaj@imagesgroup.in
Mob.: +91 9810304380

Arti Kapur, general manager
artikapur@imagesgroup.in
Mob.: +91 9313993958

Sachin Khanna, asst. manager
sachinkhanna@imagesgroup.in
Mob.: +91 9818818142

Mohd. Iqbal, asst. manager
mohdiqbal@imagesgroup.in
Mob.: +91 9871249479

Naveen Chauhan, deputy manager
naveenchauhan@imagesgroup.in
Mob.: +91 9891390763

MUMBAI:
Waseem Ahmad, assoc. vice president
waseemahmad@imagesgroup.in
Mob.: +91 9833628852

Nayan Shetty, manager
nayanshetty@imagesgroup.in
Mob.: +91 9892769533

KOLKATA:
Piyali Oberoi, assoc. vice president
piyalioberoi@imagesgroup.in
Mob.: +91 9831171388

Rohan Narayan, sr. executive
rohanarayan@imagesgroup.in
Mob.: +91 9830961388

BANGALORE:
Suvir Jaggi, assoc. vice president
suvirjaggi@imagesgroup.in
Mob.: +91 9611127470

AHMEDABAD:
Pankaj Vyas, manager
pankajvyas@imagesgroup.in
Mob.: +91 9909977088

LUDHIANA:
Hemant Gupta, associate
hemantgupta77@gmail.com
Mob.: +91 9814019745

CHENNAI:
S. Venkataramanan, associate
thulsi53@gmail.com
Mob.: +91 9444021128

Retail – the selling of goods to the end consumers at a profit – is the lifeblood of any economy. The sector has a huge employment potential and can be a revenue goldmine for the government. The retail stores are where the battle of brands is won and lost and winners of the marketplace are separated from the losers.

Considering its critical nature to a nation, it is important for the retail sector to be modernised and streamlined, and brought in tune with the latest global trends. The more the retail sector modernises, the more efficient and structured it becomes. Everybody gains. The government gets more taxes. The employees get a viable and respected career path. And consumers benefit from the huge variety and lower costs as efficiencies of scale are passed on to them.

This special annual edition of “Images Retail” is a celebration of modern retail in India and what it can do to our nation’s economy. We connected with dozens of progressive and modern retailers from all over the country to know their vision about the future of modern retail, the challenges they face and what can be done to put modern retail on a high growth path. We also take a look at the journey so far and what kind of shape modern retail is expected to take by the year 2020. What emerged is the Vision 2020 of modern retailers, full of key learnings and insights for all the stakeholders in the trade.

Our conclusion is that modern retail in India hides a tremendous potential that can be fully harnessed provided the government takes some key decisions like allowing FDI and rationalising taxes. Modern retailers on the other hand have to gear up to create brands which can take on the best in the world and join forces to confront the critical challenges faced by the industry. I would like to extend our best wishes to the retail fraternity on this exciting journey and assure them that we will be with it all the way as equal partners in their successes and failures.



Amitabh Taneja
editorimagesretail@imagesgroup.in

All material printed in this publication is the sole property of Images Multimedia Pvt. Ltd. All printed matter contained in the magazine is based on the information from those featured in it. The views, ideas, comments and opinions expressed are solely of those featured and the Editor and Printer & Publisher do not necessarily subscribe to the same.

Printed & published by S P Taneja on behalf of Images Multimedia Pvt. Ltd. Printed at Modest Print Pack (P) Ltd. C-52, D.D.A. Shed Okhla Industrial Area Phase - 1, New Delhi - 110020 and published by S P Taneja from S - 21 Okhla Industrial Area Phase - 2, New Delhi. 110020 Editor: Amitabh Taneja

In relation to any advertisements appearing in this publication, readers are recommended to make appropriate enquiries before entering into any commitments. Images Multimedia Pvt. Ltd. does not vouch for any claims made by the advertisers of products and services. The Printer, Publisher and Editor-in-Chief of the publication shall not be held for any consequences in the event of such claims not being honored by the advertisers.

Copyright Images Multimedia Pvt. Ltd. All rights reserved. Reproduction in any manner is prohibited. All disputes are subject to the jurisdiction of competent courts and forums in Delhi/New Delhi only. Images Retail does not accept responsibility for returning unsolicited manuscripts and photographs.

Images Multimedia Pvt. Ltd.

Delhi: S 21, Okhla Industrial Area, Phase II, New Delhi 110020
Ph: +91-11-40525000, Fax: +91-11-40525001

Mumbai: 1st Floor, Bharat Tin Works, Opp. Borosil Glass Works, Off. Military Road, Marol Maroshi, Andheri(E), Mumbai 400 059
Ph: +91-22-42567000, 29200043/46, Fax: +91-22-42567022

Bangalore: 523, 7th Cross, 10th Main, (Jeevanbhima Nagar Main Road), HAL 3rd Stage, Bangalore 560 075 Ph: +91-80-41255172/41750595/96, Fax: +91-80-41255182

Kolkata: 30-B, Anil Roy Road, Ground Floor, Kolkata 700 029
Ph: +91-33-40080480, Fax: +91-33-40080440

For subscription related queries, email to: subscription@imagesgroup.in
For feedback/editorial queries, email to: letter2editor@imagesgroup.in
visit us at www.imagesgroup.in



CONTENTS

AUGUST 2012



IN THIS ISSUE

60 Retail Excellence

Spicing up the Mobility Market

Spice Hotspot claims to enjoys 30 percent market share pan-India in the mobility space and intend to take this to 50 percent by 2014.

66 Entrepreneur

The Accidental Entrepreneur

Vikram Bhatt, the Founder of Enrich, opened a salon to help a friend financially. Little did he know that in a few years, the company would have 50 salons and see a growth of 125 percent every year.

72 Vision 2020

India's 'Modern Retail' Journey

Devangshu Dutta and Tarang Gautam Saxena take us through the journey of Indian modern retail in a blast from the past.

114 Vision 2020

Indian Modern Retail: The Next Decade

A report by Harminder Sahni and Gaurav Marchanda on the future of Indian modern retail and what is needed to give it a new direction.

120 Retail Launch

On Firm Ground

After launching its first EBO in India, the Italian luxury mattresses brand Magniflex now plans to open a chain of stores across all the major cities in the country.

124 Concept

Turquoise & Gold: Resort-wear Made Trendy

The concept of luxury resort-wear for women is gaining ground in India and Turquoise & Gold is exploiting the opportunity.

Cover Story 80

INDIAN MODERN RETAIL

VISION 2020

THE INDIAN MODERN RETAIL HAS COME A LONG WAY IN THE LAST 10 YEARS BUT WHAT WILL IT LOOK IT IN THE YEAR 2020? HOW WILL IT EVOLVE AND WHAT SHAPE WILL IT TAKE? WHAT BOTTLENECKS HAVE TO BE OVERCOME FOR IT TO BECOME DOMINANT? WHAT HAVE BEEN THE KEY LEARNINGS OF INDIAN MODERN RETAILERS UNTIL NOW, AND WHAT DO THEY THINK SHOULD BE DONE BY THE INDUSTRY AND THE GOVERNMENT TO GIVE THE SECTOR A BOOST?

126 Technology

Real-time Engagement: A New Business Mantra

Retailers can reach the right customer at the right time by using real-time technology tools, says Aneesh Reddy.

REGULARS

12 International Updates

44 National Updates

54 New Openings

128 Personality of the Month

130 Index

Spicing up the Mobility Market

SPICE HOTSPOT, A PART OF THE SPICE GLOBAL GROUP, ENTERED THE INDIAN TELECOM RETAIL MARKET IN 2005 BY OPENING ITS FIRST STORE IN DELHI. IT TODAY HAS OVER 900 STORES INDIA-WIDE WITH AN ANNUAL TURNOVER OF ₹1,665 CRORE AND A VASTLY EXPANDED PRODUCT PORTFOLIO. THE COMPANY IS LOOKING TO HIKE ITS STORE COUNT TO 1,500 BY 2014 AND IS TARGETING A TURNOVER OF ₹2,000 CRORE IN THE NEXT 2 YEARS

By Sanjay Choudhry and Payal Kapoor

→ Spice Hotspot is one of India's leading mobility retail brands owned by the mobile handset-maker S Mobility, which in turn is a part of the Spice Global Group. The retail chain kick-started in 2005 as Hotspot Retail in Delhi, with a single-store operation. It was among the earliest modern retail formats in the Indian telecom sector, selling mobile devices, new connections, mobile recharges, accessories and other products in the personalised mobility space.

In 2009, Hotspot acquired Indian mobile handset retailer Cellucom. The next year, the Spice Group decided to follow a single-brand strategy for the entire group and emblazoned the umbrella brand "Spice" over Hotspot, rebranding it as Spice Hotspot.

Over the last six years, the company has widened its portfolio and business horizon. From being a pure telecom retailing platform, the format has expanded to include digital lifestyle products such as tablets, smart phones, mobile handsets, laptops, data cards and storage devices along with an enhanced portfolio of mobility accessories. Currently, Spice Hotspot has over 900 stores across 172 cities in India. About 185 of these are operated by franchisees, the rest by the company. Company officials say Spice Hotspot is growing at a CAGR of 20 percent and reported a turnover of ₹1,665 crore in the last fiscal.

GROWTH FACTORS AND TRENDS

According to Spice Hotspot CEO Sanjeev Mahajan, the industry is growing on the back of the increasing affordability of mobile devices in India and the rise in disposable income of customers. Convergence of different technologies into mobile devices is leading to increased engagement with smart phones and tablets and the propensity to spend.

Smart phones have come as a life saver for retailers in what is essentially a high volume, low margin business. Says Mahajan: "The increasing penetration of smart phones is leading to an increase in the average selling price (ASP) of mobility products. Today, the ASP de-growth has been arrested due to the growth in the smart-phone market. Last year, we witnessed a 100 percent growth in the smart phone volumes. Over the next two to three years, this segment is likely to witness even higher growth rate. Inversely, there's been a decline in the growth rate of the feature-phone market."

The growing mobile Internet usage will surpass more highly monetised desktop Internet usage in India in the near future, he predicts. Though the competition from unorganised retailers is tough, organised retailing is becoming more and more important in the sector for the servicing and engagement of customers.



RETAIL IS ACTUALLY NOT ABOUT BEING A NATIONAL BRAND BUT ABOUT BEING HYPER-LOCAL
– SANJEEV MAHAJAN,
CEO, SPICE HOTSPOT

MARKET SHARE AND POSITIONING

Spice Hotspot has been positioned as a one-stop shop for all the mobility needs of the customers. Company officials say it enjoys over 50 percent market share in Delhi and seven other cities of the country. "We have a 30 percent share of the pan-India market and intend to take this to 50 percent by 2014," adds Mahajan.

The typical customer profile of Spice Hotspot:

- A whopping 94 percent of the customers are males
- About 89 percent of customers belong to the Socio Economic Class (SEC) A and B
- About 82 percent of the customers fall between 19 and 35 years
- The average household monthly income of Spice Hotspot customers is about ₹26,000

"People who visit our stores frequently include young males who have researched their purchase beforehand. Their visits are pre-planned to buy their favourite handset. They like to browse through a product to experience its features at their own pace. Our customers are also looking for well-informed sales staff to help them compare their shortlist and



Spice Hotspot claims over 50 percent market share in Delhi and 7 other cities

make an educated decision,” says Mahajan. The customer profile has been changing marginally over the years in terms of age. The younger lot (16+) seems to be coming to the forefront and taking the purchase decisions. “But more than that, their spending behaviour is changing. They are looking for the maximum value for money and don’t mind paying for newer generation products,” he adds.

PRODUCT MIX AND CATEGORY SPLIT

Spice Hotspot offers a wide range of collection in mobility products, which allows it to cater to customers with different tastes and requirements. Currently, the retailer sells over 25 brands, including smart phones from Samsung, Nokia, Spice, HTC, Sony Ericsson, Blackberry, Motorola, and LG, entry-level mobile phones, tablets, laptops, cameras, accessories (for

both mobile and IT products), prepaid connections, recharge coupons, and so on. For high-end products, an EMI facility is also provided to customers.

The offerings and price bands at each store are customised to suit the catchment area. Says Mahajan: “We service all price bands and catalogue our products depending upon the catchment areas. As we are present across India, there’s a pressing need to address customer needs according to the demands of different regions and price range, and we catalogue the products and categories accordingly. However, the throughput is higher at higher price brackets and 65–70 percent of our revenue is generated by smart phones.”

The majority of the category split at Spice Hotspot is accounted for by smart phones, followed by feature phones and then laptops

and accessories. “Depending on the catchment area, we look at seeding categories such as digital cameras and gaming devices as well as services like insurance, financing, extended warranty and apps,” says Mahajan. Currently, Spice Hotspot is looking at deepening the range of fashion accessories at its stores.

LOCATION STRATEGY

For opening stores, Spice Hotspot is open to malls as well as high streets, depending on the region and city. Currently, it has a mix of both locations all over India.

The company’s location strategy is based on various parameters including the presence of competitors near the location, the catchment area and population, a survey of the destination markets, availability of high-visibility corridors, malls and commercial

The Accidental Entrepreneur

WHEN VIKRAM BHATT LAUNCHED A 270 SQ.FT. SALON IN MULUND TO HELP A FRIEND FINANCIALLY, HE NEVER IMAGINED THAT IT WOULD GO ON TO BECOME THE LARGEST CHAIN OF UNISEX SALONS IN MUMBAI. THAT WAS IN 1997. TODAY, ENRICH HAS AN ENVIABLE SPREAD OF 50 SALONS AND IS GROWING AT 125 PERCENT EACH YEAR!

NIVEDITA JAYARAM PAWAR CAUGHT UP WITH THE 38-YEAR-OLD BHATT TO UNDERSTAND THE DYNAMICS OF THE BEAUTY BUSINESS IN INDIA AND WHAT IT TAKES TO SCALE UP

→ I always maintain that I am an accidental entrepreneur. Enrich started as a friendly venture between me, Rohit Dedia and Parul Mehta. Our friend Mehta who had knowledge about this field had lost her father and this venture was purely to help her financially.

FIRST CUT

We opened our first salon in October 1997 in Mulund at an initial investment of ₹6,00,000. The rent was ₹8,000 a month. The major chunk of the investment went into furniture, air-conditioning, false ceiling, etc. Expenses worth a lakh went into buying chairs, hair dryers, and pedicure and manicure kits. It was the first unisex salon in the suburbs – a really big thing at that time.

I had just done my post graduation from the KJ Somaiya Institute and was working with the Bombay Dyeing Group as the finance manager. So I was sailing in two boats. The Mulund salon was 270 sq.ft. on the high street. It had five hair chairs, two beauty cabins, a reception and waiting areas.

The staff comprised of two hair stylists and beauty therapists each. Mehta, one of the founding members of Enrich, managed the salon and provided services.

With our very first salon, we realised two important things – professional set up and processes. We were the first to introduce a rate card in the industry. Till then, a client would always be guessing what she will be charged at the end of the service or therapy. We wanted to be very transparent in our dealings. It helped that we were not from the industry and could think differently.

Next was the loyalty programme. We realised early on that to be able to survive in this business, we needed repeat customers. So we introduced a loyalty card priced at ₹500 which gave the client a flat 20 percent discount on all services for a year, and at the end of the year, she got services worth ₹500 free. So essentially, the card came free to her and it ensured that she remained loyal to our salon. Our focus was to enroll 75–100 members a month. We used strip advertisements



A Cut Above: Vikram Bhatt, Founder, Enrich





India's 'Modern Retail' Journey

FOUNDATIONS OF MODERN RETAIL

Since as long as the human species has formed settlements in history, some kind of retail business has existed, whether in the form of temporary shacks and kiosks at the village fairs, *haats* and weekly markets, or as more permanent establishments. It is difficult to mark a milestone or draw a line in time that announces the arrival of modern retail in India. Most of us are inclined to view the 1990s as the time when it “appeared” in the country but, in truth, the development of retail chains has been far more organic and occurred over a much longer time.

For instance, we often forget that the bookstore chain Higginbotham's started way back in 1844 in Madras. Some of the earliest large department stores included the Army and Navy Stores which opened their first outlet in Bombay in 1891. Spencer & Co. launched from Madras in 1895. These formats were primarily launched to cater to the needs of the British and expatriate population. On the other hand, Nilgiri's, one of the oldest supermarket chains in India, traces its origins to a small store in 1905

set up by an Indian. In 1936, his son expanded the modest store into a supermarket on Bangalore's Brigade Road, adapted appropriately to fit in with the local culture. Soon, the Nilgiri's supermarket spread to other cities in South India.

Malls – “covered shopping spaces” – are not entirely new to India either. The Mughal emperor Shah Jahan had Meena Bazaar, one of the first recorded enclosed shopping arcades in India, constructed in the 17th century. Mumbai's Crawford Market was opened in 1869 and Calcutta's New Market in 1874. New Delhi's Connaught Place, with its covered arcades, was set up in 1931.

More recently, leading manufacturing companies – such as textiles-makers DCM, Raymond and Bombay Dyeing and footwear-maker Bata – established their own chains of retail stores, including company-operated outlets as well as authorised dealers operating under the company's banner. The growth of these chains was organic, based on reputations built over time. A demand-pull was created by the consistent delivery of products and services through

generations. This became the basis for opening more stores which in turn led to their evolution into retail chains.

Over the 1980s, a new wave of modern retail was led by indigenous ventures such as Intershoppe (fashion), Little Kingdom and The Baby Shop (children's products), Nirula's (fast food) and Computer Point (computers). Many of these were perhaps ahead of their time. The critical mass of consumers had yet to develop, the business infrastructure was inadequate and funding norms were unsuitable to the capital-hungry business of retail. Unlike the textile companies that had existing, large manufacturing and trading businesses, the new retailers were like shooting stars – glorious but visible for only a short period of time.

Nor was physical retail the only avenue being explored for growth during these decades. For instance, an Indian retailer thought of replicating the success of Western catalogue companies and launched the Burlington's mail-order catalogue retail venture. He even became a joint-venture partner of one of the world's largest catalogue retailers, the

IF YOU HAVE BEEN ON A ROLLER-COASTER RIDE, NO WRITTEN DESCRIPTION IS COMPLETE ENOUGH TO CAPTURE THE RUSH, THE FEAR OF FALLING AND THE THRILL OF COMING OUT AT THE OTHER END. EXPERIENCES ON THE ROLLER-COASTER ARE ALSO AS VARIED AS ARE INDIVIDUAL RIDERS. SO IT IS WITH THE RETAIL BUSINESS IN INDIA. IT IS LIKE INDIA ITSELF – EVERYTHING THAT YOU CAN SAY ABOUT IT IS TRUE, AND ITS EXACT OPPOSITE IS ALSO TRUE. THERE HAVE BEEN PHENOMENAL SUCCESSES AND AT THE SAME TIME WILD FAILURES, TOO.

IT'S ALSO WORTH REMEMBERING THAT INDIAN EPICS HAVE MULTIPLE THREADS AND STORY LINES WHICH ARE USUALLY EXPLORED ALTERNATELY. THUS, THIS IS ALSO NOT A STRICTLY CHRONOLOGICAL ACCOUNT OF THE EVENTS, AS THE STORY WEAVES BACK AND FORTH A BIT. NEITHER DO WE CLAIM THIS TO BE A COMPLETE ACCOUNT OF THE JOURNEY OF MODERN RETAIL IN INDIA SO FAR. THERE ARE SOME EXAMPLES QUOTED BUT BY NO MEANS ARE THEY REPRESENTATIVE OF THE ENTIRE INDUSTRY OR SEGMENT. OUR HOPE IS ONLY TO CONVEY A FLAVOUR OF MODERN RETAIL AS IT HAS GROWN, CHANGED AND EVOLVED ALONG WITH THE COUNTRY AND ITS CONSUMERS

By Devangshu Dutta and Tarang Gautam Saxena

Otto Versand of Germany. Other retail models have included direct sales businesses such as Eureka Forbes, which introduced vacuum cleaners to Indians through demonstration parties, and Spectrum which sold home computers to forward-thinking parents for their children.

Thus, while we tend to think of more recent businesses as pioneering the segment of modern retail, in reality the current crop of retailers is standing on the shoulders of others who have created successes – and failures – earlier, from which we are still learning. In fact, retail has grown and modernised organically the world over, despite periods of boom (such as the post-War years in the US and in Europe).

However, in East Asia during the 1980s and 1990s, there has been a disproportionately rapid growth of retail businesses owned by the conglomerates. This was supported by three significant factors among these indigenous retailers and franchise partners, other than the growing consumer incomes:

- Business and financial scale of the conglomerates that was built

on manufacturing and trading operations, and significant real estate holdings

- Political weight, and
- General development of infrastructure, both urban as well as cross-country.

On the other hand, West Asia saw surplus incomes “fuelled” by the oil boom. Through the 1990s, this created the opportunity for Western European and American brands to sweep into the market on the back of local franchise partners that modernised the local retail scene rapidly. Similar growth is visible in Brazil and Russia as well as in Eastern Europe where retail consolidation has swept through very quickly, both with domestic companies as well as with international retailers stepping in.

India’s case is slightly different and more hybrid in nature. Clearly, economic growth and similar factors have aided the relatively “sudden” emergence of new corporate retailers during the last two decades, but there is also a prior organic base of growth that acted as a foundation for further development. In fact, the size and diversity of the country and the

DLF
Mall of India
Presents

IRF
INDIA RETAIL
FORUM 2012

2

*months
left*

*For retail's
number one event.*

Know everything.
Know everyone.

For more details, visit
www.indiaretailforum.in

INDIAN MODERN RETAIL VISION 2020

THE MODERN RETAIL INDUSTRY OF INDIA AND THE GOVERNMENT HAVE THEIR TASK CUT OUT BEFORE THEM – TO TURN THE SECTOR INTO A POWERFUL ECONOMIC ENGINE OF GROWTH IN A WIN-WIN SITUATION FOR ALL THE STAKEHOLDERS. SO WHAT DO THE RETAIL LEADERS OF INDIA SAY ABOUT THEIR VISION FOR THE FUTURE AND HOW THEY CAN MAKE A ‘DENT IN THE UNIVERSE’? READ ON

→ The opportunity is gigantic and the stakes are high. The overall Indian retail market is going to more than double in size to \$1.3 trillion by 2020, up from \$500 bn now, according to a recent FICCI and TCS report. The share of modern retail, which is 5 percent currently, will shoot up six times in just eight years to 30 percent (\$220 bn), an impressive figure by all means.

Top Indian corporates – from Dabur and Aditya Birla Group to Reliance, Raheja’s and the Bharti Enterprises – have strategically positioned themselves by opening modern retail formats across the country so as not to miss the bus. But there seems to be many a slip between the cup and the lip, the experience of these giants over the last few years shows.

The challenges are immense but so too would be the rewards – the retail business can be scaled up pretty fast and it is not a coincidence that many

of the American retailers have made it to the Fortune 500 list and Walmart has become synonymous with the rolling US economic juggernaut.

For this special annual edition of *Images Retail*, we talked to many progressive retailers from across the country to understand their vision of how modern retail will look like by the end of this decade and the critical challenges they face which are preventing them from doing a Walmart on the world.

The biggest worry of retailers currently is the artificially high rentals which are squeezing margins and turning many retail businesses unviable. This makes it difficult for retailers to expand or experiment with new formats and ideas since the cost of failure becomes terribly high. Overbearing and intrusive government regulations (a legacy of the socialist days when businessmen were considered an

unnecessary evil), the high tax rate, unreliable supply chains and logistical infrastructure, an acute shortage of skilled manpower and difficulty in getting financing from the banks do not make life easy for retailers.

Yet the Indian retail community remains bullish about the future, firm in the belief that modern retail is an idea whose time has come. All they want from the government is to get its act together and act as a facilitator for growth. FDI in multi-brand retail will open the floodgates of capital infusion, injecting funds, technical expertise and operational efficiencies into the Indian retail industry, and almost every modern retailer is rooting for it. Another factor that promises to be a game changer is the GST. This will simplify the taxation system and integrate the regional markets tighter with each other.

The government has to move speedily on these issues, despite the political opposition, so that the sector gets modernised, wastages in the supply chain are removed and efficiencies of scale get passed on to consumers.

In the following few pages, we bring you the views of dozens of progressive retailers about the challenges and opportunities facing the Indian retail industry and what needs to be done to unleash their entrepreneurial potential. If their wishes come true, it seems it will only be a matter of time before an Indian version of Walmart emerges to dominate the world.

INDIAN MODERN RETAIL VISION 2020



DAMODAR MALL, Director, Food Strategy, Future Group



AJIT JOSHI, MD & CEO, Infiniti Retail

Are you satisfied with the way Indian modern retail has grown in the country until now? How do you see its progress over the past 10 to 12 years?

In the last 10 years, we have got a very high number of offerings tested in the market. To that extent, modern retail has worked in India. It is a development engine for many new product categories. It has the power to upgrade customers. Modern retail has made a difference to the lives of urban consumers because it offers them many more choices in a much more effective way compared to traditional retail

Indian organised retail is pretty nascent but has shown tremendous opportunities. India is a growing economy with a billion-plus young population which supports the growth of retail to a great extent. In the past few years, we have seen many big players come to India to tap the enormous consumption level. From this point onwards, Indian modern retail can only grow in leaps and bounds

How according to you will Indian modern retail look like in the year 2020 and beyond? How do you think it will evolve in the next ten years?

By 2020, modern retail will stop being a story. Instead of being restricted to some catchments and cities, it will become mainstream and turn into a way of life, the way *kirana* stores are today. We will have destination retail, specialised retail, and modern retail, all existing in our neighbourhood

We will see more consolidation happening and more foreign players coming in. Indian retailers will experiment with formats, which will lead to profitability. There will be a lot of streamlining happening. Modern retail will go to every nook and corner of the country. Last but not the least, many retail players will become successfully profitable

What do you think are some of the biggest problems and challenges facing Indian modern retailers? What critical bottlenecks have to be overcome to allow Indian modern retail to grow to its maximum potential?

Many Indian retailers still face the challenge of cracking a model that would work pan-India, right from the metros to tier III cities. Despite some strong regional players in some locations, retail is yet to have a modern network across the country. Sector-wise, we need a paradigm shift in the way the value chain that services modern retail is shaped. It has to be upgraded along with the infrastructure

Making the right business proposition is crucial for Indian retailers. We have to get the format right and become profitable. The supply chain system as well as proper delivery and replenishment of goods still pose a challenge, especially for the hypermarket formats. The infrastructure also acts as a bottleneck in terms of escalating rentals and real-estate costs

In which areas do you think Indian modern retailers are lagging behind the West and China? What do you think have been the main disappointments of modern retail in India?

We started late. The West began its journey of modern retail 60 years ago while China has a 10 year headstart over us. But I think we in India are just a few years behind in the learning curve. Whether Indian or global, all retailers have to do their own set of discoveries, make mistakes and learn from them.

Modern retail has been there in the West for many decades now, but is a new phenomenon in India. China is a quick learner. Having said that, we have nailed some crucial bottlenecks even though India is a diverse cross-cultural market. Supply chain and effective adaptation of technology need more focus. I can't recall any disappointment as such – everybody is trying not to repeat their mistakes

What do you suggest should be done by the industry and the government to consolidate the growth of Indian modern retail and push it to a higher growth path?

The urban middle-class Indian customers have deep pockets but short fingers. Their purchasing power is much higher but they have to be encouraged to spend. All bottlenecks standing in the way of higher consumption have to be removed. The entire ecosystem that feeds modern retail needs simplification in terms of taxation, restrictions, licensing, etc.

FDI in multi-brand retail is the need of the hour. This will facilitate the FII inflow. Retail is a capital-intensive industry and lack of funds is forcing many retailers to slow down their expansion plans. Also, the industry provides a lot of employment. So government should facilitate the growth of infrastructure to support this sector



DISCOVER

A destination beyond compare

Spacious stores, generous natural light, easy navigability and ample parking make this mall a cheerful experience. The world-class infrastructure and smart assortment of brands guarantees an experience as great as the view of the man-made lake just outside. Welcome to the finest mall in Bangalore.

Anchor & Mini Anchor Stores:

Zara, Debenhams, Westside, Landmark, Star Bazaar, Central, Reliance Digital, PVR Cinemas, Blu - O, Time Zone, RMKV

Vanilla Stores:

Tommy Hilfiger, Jack & Jones, Esprit, U.S. Polo, Wills Lifestyle, Nautica, Chemistry, Reebok, Samsung, Nike, Van Heusen, Louis Philippe, Puma, Vinegar, Adidas, Arrow, Celio, Pepe, World Of Titan, Clarks, Allen Solly, Accessorize, The Body Shop, Rockport, Levis, Hush Puppies, Swarovski, Parcos, UnitedColors of Benetton, gordonMax, Affinity, Chicco, Mother Care, Imagine My Planet Home, Canon, Samonite Black Label, Da Milano, Base Camp, Univercell, Bag Zone, VIP Lounge, Hidesign, Soch, Tamanna, Blackberry's, Lee, LP, Peter England, Provogue, V., Wrangler, Zodiac, Bata, Mochi, Soles, Health & Glow, Fastrack, Mango, Ethos, Archie's Gallery, Addons Men, Inc5, Crocs, Footworks, Jashn, Bulchee, Manyavar, Elle, Time Zone Creche and many more

Fine Dining:

Kobe Sizzlers, Mainland China, Trader Vic's Mai-Tai Lounge, Toscano, Café Mangii, Café Noir, Chili's, Zafran

F & B:

Mc Donalds, Subway, Sbarro, Rajdhani, Kailash Parbat, Beijing Bites, Upsouth, Just Bake & Matka Kulfi, Pepsi, Empire, Empire Fresh Juice, The Chocolate Room, Fish 'n' Chips, Mad Over Donuts, Cookie Man, Café Coffee Day, Baskin Robbins, Bliss Chocolates, Sukh Sagar, Punjabi by Nature Express

FASHION & LIFESTYLE | ENTERTAINMENT | FOOD & FINE DINING | LEISURE

Dr Rajkumar Road, Rajajinagar Ph: 080 - 67282222 Email: info@orionmalls.com



a new reason to smile, each time you visit the mammoth
Ambience Malls



Shopping | Entertainment | Food | Just Malling

Space for a million smiles



COME
MAING
AMBIENCE MALLS
GURGAON • VASANT KUNJ

Ambience: L-4, Green Park Extn., New Delhi - 110 016, Tel.: 011-26195042, 4021, 8101, Fax: 011-26164757, E-mail: mall@ambiencemalls.com