

RIMAGES Retail

DECEMBER 2016 VOL.15 NO.12 ₹100



DECODING CDIT'S PROMISING UPTICK

DYNAMICS

South India's retail shifts

RETAIL LEADER

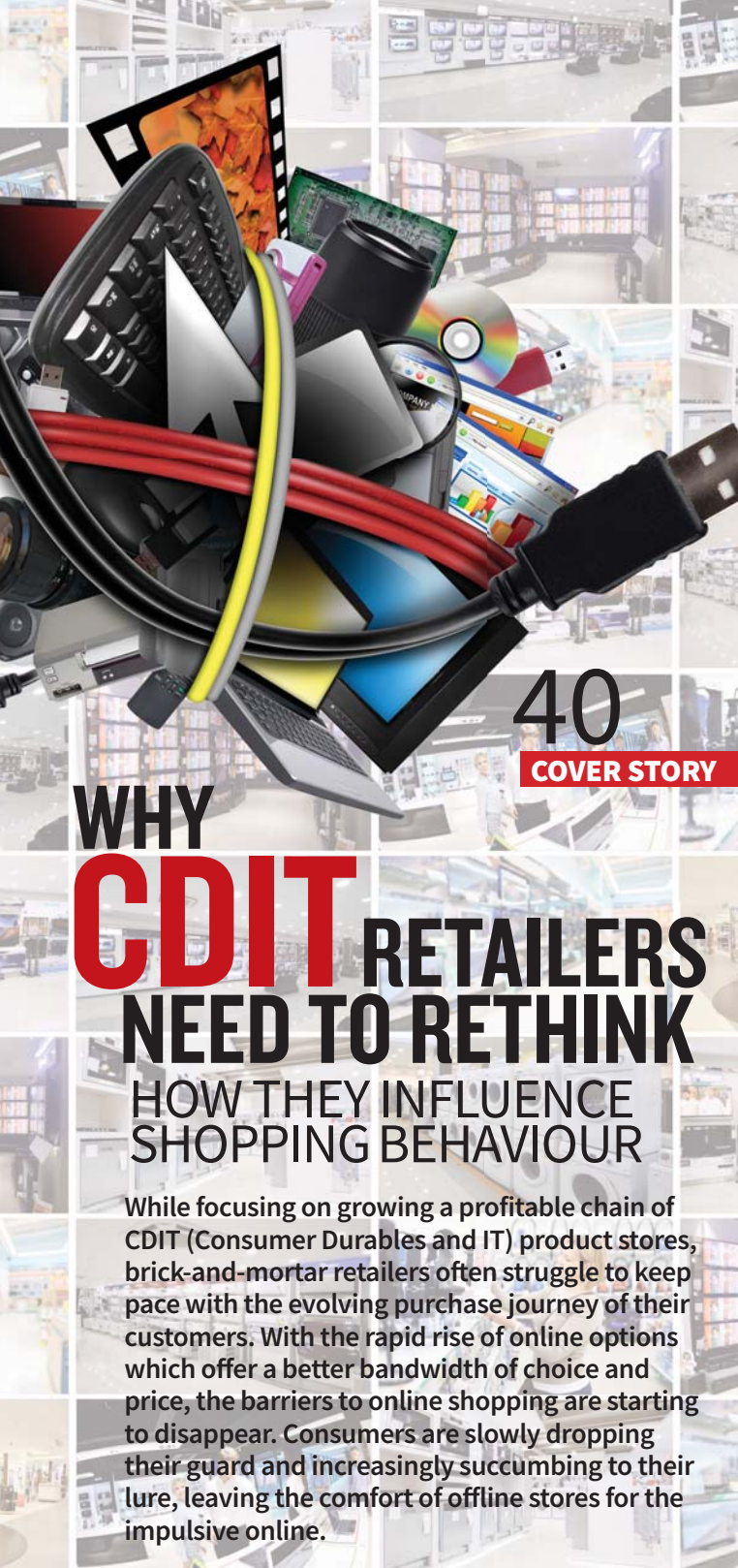
Shashwat Goenka, Sector Head,
Spencer's Retail Limited

MY THOUGHTS

Nina Lekhi, MD & Design
Curator of Baggit

E-COMMERCE

Eating Out with 'Dineout'



WHY

CDIT RETAILERS NEED TO RETHINK HOW THEY INFLUENCE SHOPPING BEHAVIOUR

While focusing on growing a profitable chain of CDIT (Consumer Durables and IT) product stores, brick-and-mortar retailers often struggle to keep pace with the evolving purchase journey of their customers. With the rapid rise of online options which offer a better bandwidth of choice and price, the barriers to online shopping are starting to disappear. Consumers are slowly dropping their guard and increasingly succumbing to their lure, leaving the comfort of offline stores for the impulsive online.

CORRIGENDUM:

The article titled Newsmaker on page 13 of IMAGES Retail November issue erroneously featured a wrong logo over the image of VR Surat. The designation of Mr. Sachin Dhanawade, VP-Operations, Virtuuous Retail was also wrongly mentioned as VP-Operations, Virtuuous Retail Surat. We deeply regret the error. The correct picture of the celebrations at the mall has been featured here.



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In the December issue of IMAGES Retail, we have attempted to analyse and understand new buying journeys and how customers engage with retailers in the CDIT category through our cover story. Also, we have tried to zero down on the weakest links in the shopping journey and how are retailers addressing this.

In our Market Dynamics section, we have focused on the Southern India's retail market scenario. This special issue is being released at second edition of South India Retail Summit (SIRS), which will be held on December 13, 2016 at ITC Gardenia, Bengaluru. Soon after, on December 15, the inaugural edition of the North India Retail Summit (NIRS) will take place at JW Marriott, Aerocity Delhi.

At both these business events, the who's who of regional and national retail will come together to drive customised strategies for each of these markets.

Along with the December issue, we are also releasing a special supplement in association with TRRAIN (Trust for Retailers and Retail Associates of India) to commemorate 'Retail Employees' Day' or 'RED', as well all know it. This supplement is to showcase the event and to highlight the tremendous contributions made every day by lakhs of retail associates across the country. As you would know, RED is an initiative conceptualised by TRRAIN and since its inception in 2011, it has become a continuously enlarging movement among Indian retailers.

I hope that you find the December 2016 issue of IMAGES Retail both useful and educative. I also wish all my friends and associates from the retail fraternity a very happy and prosperous year ahead.

Amitabh Taneja

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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

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HIGHLIGHTS OF NRAI

INDIA FOOD SERVICES REPORT 2016

A brief excerpt of India food services report 2016, released by national restaurant association of India (NRAI) highlighting the key developments in the Indian food sector.

Indian economy is increasingly gaining importance at the global stage. With a projected real GDP growth of 7.6 percent, India is now the fastest growing major economy in the world. The country's nominal GDP is expected to reach USD 3.6 trillion by 2021 from USD 2.3 trillion in 2016. India's private final consumption expenditure accounts for ~ 60 percent of the total GDP and is projected to reach USD 2.4 trillion by 2021, surpassing that of developed economies like U.K, France and Italy. Market Outlook Sound macro-economic performance will in turn help the food services industry to become a key sector of the economy.

The size of total market (organised and unorganised) is ₹3,09,110 crore (USD 48 Bn) in 2016 and is projected to grow at a CAGR of 10 percent to reach ₹4,98,130 crore (USD 77 Bn) by 2021. Within this, the unorganised market holds a 67 percent share with an estimated size of ₹2,07,635 crore in 2016. However, the share of unorganised segment is expected to fall and reach ₹2,93,950 (59 percent) by 2021. The organised market which includes chain outlets, organised standalone outlets and restaurants in hotels is estimated at ₹1,01,475 crore in 2016 and is projected to grow at a CAGR of 15 percent to reach ₹2,04,180 crore by 2021.

Key Segments in the Food Services Market

Unorganised Segment: The segment dominates the Indian food services market and comprises Dhabas & Roadside Eateries (Street stalls, Hawkers, Trolleys, Standalone sweet shops) that have traditionally been the most common eating out options.

Organised Standalone Segment: The licensed/ listed outlets across formats with less than 3 outlets

Chain Segment: The branded chain players across formats with 3 and more outlets

Restaurants in Hotels: Independent restaurants operating in hotels

The share of the chain segment in the organised market is ₹20,400 crore (20 percent); this is expected to grow at a CAGR of 20 percent to reach ₹50,950 (25 percent of the organised market) by 2021. The QSR and ACDR formats together make up ~60 percent of the total organised market with ACDR having the highest market share at 41 percent. In terms of number of outlets, the density is highest in metros and mini metros which are home to majority of the food services outlets.

The two mega metros, Delhi & Mumbai, constitute a total of 22 percent of the food services market while the 6 mini metros constitute 19 percent of the food services market. Key Cuisines Offered Across Food Service Segments North Indian, Chinese and South Indian cuisines still dominate the total market offerings and the contribution of American, Pizza, Italian and other western cuisines is on the rise. Furthermore, regional Indian cuisines and bakery and desserts are also gaining market share.

Consumer Outlook

Over the years, the Indian consumers' profile, behaviour and spending patterns have evolved with the changing economic, social and demographic landscape. The widening exposure to new cultures and cuisines, and the increased propensity of eating out, along with the growing popularity of home delivery and take away has led to the growth of food services market.

Occasion like celebrations and outings with family and friends constitute almost 50 percent of total visits. However other reasons to eat out which are not occasion specific like business meetings, alternate to home cooking, looking to try new products/ cuisines etc. are emerging trends and allow brands to innovate.

Reasons to Eat Out (percent EOO) for Indian Consumer

Consumer segments are increasingly getting defined by their needs, aspirations, lifestyle and attitudes. Therefore, a psychographic

Over the years, the Indian consumers' profile, behaviour and spending patterns have evolved **with the changing economic, social and demographic landscape.**

segmentation has been adopted comprising - family bonding seekers, fun seekers, socializer and discerning urban.

Psychographic Consumer Segments - Brief Profile

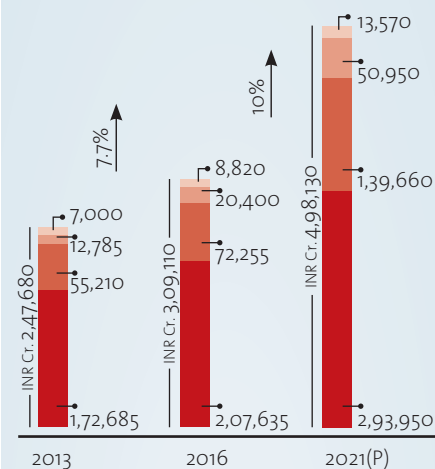
Family Bonding: Seeker Family Bonding Seekers view eating out as an opportunity to get together with the family, an opportunity to cherish relationships. Family becomes the pivot around which all fun and celebration is centred. However, this group is relatively more conservative in their approach. They are risk-averse and tend to follow a disciplined and planned approach to eating out

Fun-Seeker: Fun seekers are generally innovative and experimental and eat out in a group. Having fun is the order of the day and they seek new experiences in everything they do. They wish to try new restaurants and new dining concepts

Socialiser: Socialisers have large network of acquaintances and view eating out as a form of entertainment and social interaction. Their emphasis is more on social relationships and they try to get whole group together Discerning

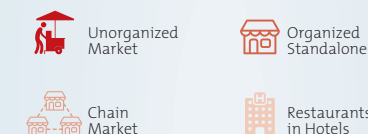
Urban Discerning: Urban belong to higher income households and look at eating out as place to chill and unwind. They seek places to relax and are willing to pay a premium for quality.

MARKET SIZE & GROWTH



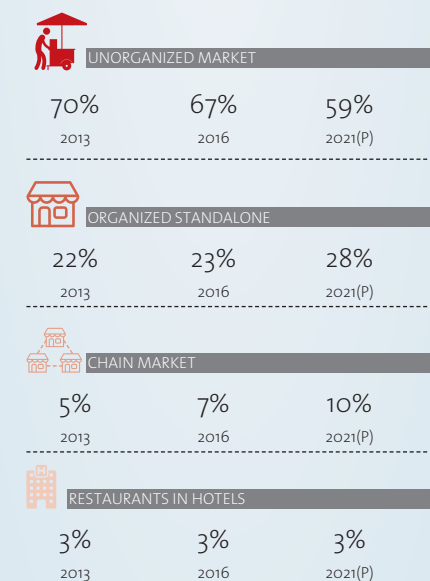
USD Constant: \$1 = ₹52
 USD 48Bn (2013), USD 60Bn (2016), USD 97Bn (2021(P))

USD Current: \$1 = ₹65
 USD 38Bn (2013), USD 48Bn (2016), USD 77Bn (2021(P))



Source: Zomato, Technopak Analysis Based on Trade & Corporate Research in Chain and Standalone Outlet count and Benchmarks of average sales across different formats
 Size of Restaurant in hotels is for 3 star and above hotels

MARKET SHARE



Source: Zomato, Industry Sources, Technopak Analysis



SOUTH INDIA

SETS THE PACE FOR COUNTRY'S RETAIL GROWTH

Southern India, with all its potential, continues to be an interesting destination for retailers, retail real estate developers and investors. The growth of organised retail here has been on an upsurge. The Southern states of India hold tremendous potential in terms of economical viability, demography, geographical vastness of the market and increasing disposable income. The dynamics of these markets are unique and need in-depth understanding. In this special feature, we have focused on the South India's retail market scenario.



SOUTHERN REGION AN OVERVIEW

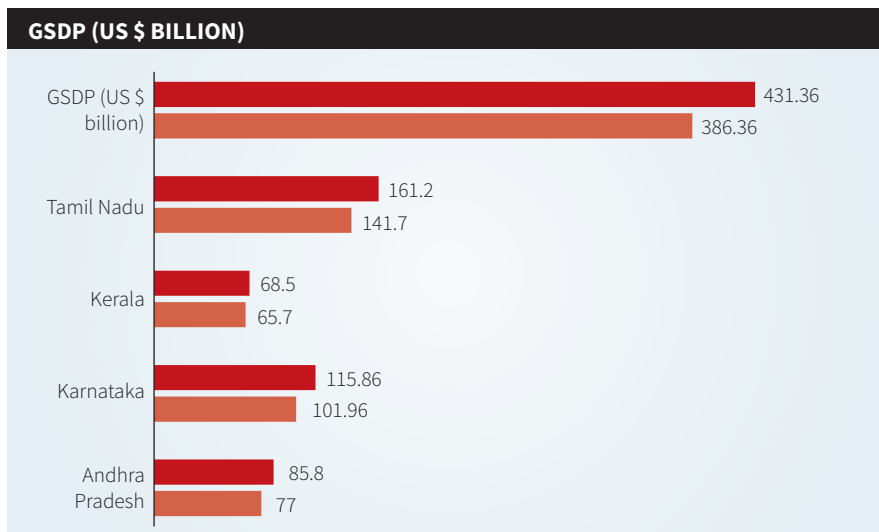
Demography:

Southern region of India comprise of five States of Andhra Pradesh, Telangana, Karnataka, Kerala and Tamil Nadu and three Union Territories of Puducherry, Andaman & Nicobar and Lakshadweep islands with combined population of 252 million. The population has been growing at a CAGR of 1.2 percent since 2001 with 41 percent of this population being urbanised. The region's geographical area is 6.4 lakh sq km with population density of 393 persons per sq km. The regional literacy rate is close to 69 percent. The region has 110 cities and towns with minimum population of one lakh.

Economy:

The region contributed 21.1 percent share to India's total GDP during 2014-15 with TamilNadu contributing highest with 7.9 percent share from the region.

Region's combined GSDP (excluding UT's) of US \$ 431.36 billion in 2014-15 has grown by 11.6 percent over previous year. The region has annual per capita GSDP of US \$ 1,712 as against national annual per



capita GDP of US \$1,686. The strong GSDP profile of the region is the result of large urban segment, strong manufacturing & IT sector, industries based on marine activities, agriculture and exports.

Retail Market:

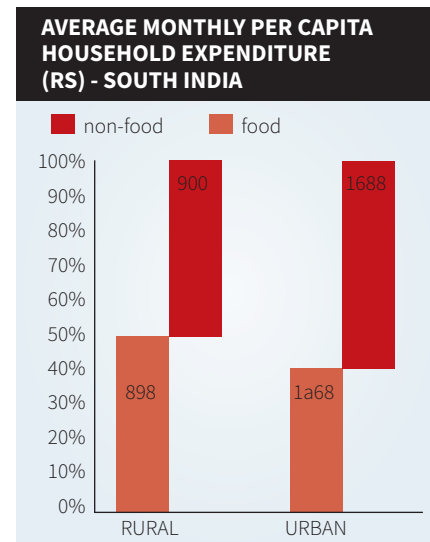
The region's retail market contributes 25 percent to India's total retail market. India's total retail market is dominated by food segment with 64 percent share and south India's food segment contributes 61 percent share in region's total retail market. Fashion in the region has 15 percent share, which is as good as share of fashion in India's total retail. However, the region shows better share contribution in lifestyle segment with higher share of 23 percent against India's share of 19 percent. The regional retail is more inclined to lifestyle products and services with entertainment, consumer electronics and mobile and telecom having higher share than their national share.

The region is known for pioneering modern retailing in India. Although it began with food retailing initially but as of today the region showcases all possible offerings through bouquet of various formats and retail segments in modern retail. Its immense contribution and first mover advantage in modern retail is supported by its large share of 33 percent in total modern retail market of India. The estimation is based on analysis of top 50 national retailers with retail presence in all regions. The retail outlets in the region have larger store areas than national aggregate average yet the region yields lower trading density than national average. Despite the low trading density the average retail outlet in the region is found to do more average monthly retail sales per outlet than the outlets at pan-India level. The concerned figures are shown in the section on region's retail market.

Karnataka is the most influential state in terms of modern retail contribution occupying almost one-third share in region's total sales, store count and retail space. Modern retail is found to be led by food and grocery segment in the region thanks to its first mover advantage through it. Speciality format in food and grocery; consumer electronics in lifestyle and jewellery in fashion draw highest trading densities in respective segments.

Retail real estate

Retail real estate is destined to operate on a retail area of 35 million sq ft spread across 88 shopping malls over 12 cities in the region by 2017. There are around 50 operational malls housing close to 5,000 outlets which draw 16.6 million footfalls every weekend. The metro cities remain concentration hubs for shopping malls and an aggressive penetration in smaller cities can provide ample retail space which is in shortfall as of today.



States / Union Territories	Population 2011	Male Population	Female Population	Rural Population	Urban Population	Male Literacy%	Female Literacy%
Andaman & Nicobar	379,944	202,330	177,614	244,411	135,533	90.11	81.84
Andhra Pradesh	84,665,533	42,509,881	42,155,652	56,311,788	28,353,745	75.56	59.74
Karnataka	61,130,704	31,057,742	30,072,962	37,552,529	23,578,175	82.85	68.13
Kerala	33,387,677	16,021,290	17,366,387	17,455,506	15,932,171	96.02	91.98
Lakshadweep	64,429	33,106	31,323	14,121	50,308	96.11	88.25
Puducherry	1,244,464	610,485	633,979	394,341	850,123	92.12	81.22
Tamil Nadu	72,138,958	36,158,871	35,980,087	37,189,229	34,949,729	86.81	73.86
Total South India	253,011,709	126,593,705	126,418,004	149,161,925	103,849,784	74.52	63.36

Source: Census 2011



WHY CDIT RETAILERS NEED TO RETHINK HOW THEY INFLUENCE SHOPPING BEHAVIOUR

While focusing on growing a profitable chain of CDIT (Consumer Durables and IT) product stores, brick-and-mortar retailers often struggle to keep pace with the evolving purchase journey of their customers. With the rapid rise of online options which offer a better bandwidth of choice and price, the barriers to online shopping are starting to disappear. Consumers are slowly dropping their guard and increasingly succumbing to their lure, leaving the comfort of offline stores for the impulsive online.

By **Sheetal Choksi** and **Sharmila Cirvante**



There was a time when buying a television meant a walk to the store. A clutch of brands were lined up to choose from and apart from screen size and budget, nothing else was a detractor. A customer would proudly walk in flanked by his spouse and a trail of excited kids (this was, after all, a huge lifetime investment and as a result, needed family approval). A salesperson demonstrated each model and his technical prowess with an air of supremacy, as the family nodded mouths agape. He convinced the buyer on a particular piece. The customer acknowledged his wisdom, closed the sale and went home happily, probably stopping on the way for a celebratory ice-cream. *That was then. This is today.*



▲ Viveks

Consumers have stepped off the linear purchase journey **and are changing the way they research and buy.**

Buying is not so simple

A customer decides to change his television. Yes, this time it's a decision, not a need but a want. And why not, technology has become that much more desirable since the last one purchased only a couple of years ago. Screen sizes have grown bigger, slimmer and curvier. LED, UHD, OLED, 3D and 4K have propelled picture quality into the future. Android has made them smarter. There are more ports and more features most of which will probably take forever to understand or never even be used. There are enough reasons and more to change the current set for a swanky new one.

Now here's the catch! Today's techno-cloned world has given birth to a process line of CDIT brands that offer the same features albeit a few. They are all reputed names and they are all competitively priced. The digital

proliferation complicates the matrix further. E-commerce portals have not only dropped prices to tempting levels, but also continue to woo customers with exclusive selling rights, especially in IT and electronics. Social media and specialist online forums have given rise to a rash of "expert" opinions. The very technology that was designed to simplify your life now complicates it. Who does the buyer turn to, to help him make the right decision?

The purchase journey is non-linear

As a result, consumers have stepped off the linear purchase journey and are changing the way they research and buy. No longer is it restricted to just one platform. People use digital media to curate their search, shortlist their choices before validating the same at the store. On confirming that the product meets their expectations, a second quest starts – one for the right deal. Here again, both online and offline options are examined before the final choice is made. This has put retailers under tremendous pressure and they now need to adopt new forms of engagement with the consumer, at every step of their journey.

B A Srinivasan CEO and Jt. MD, Viveks, observes, "Traditionally the customer would ask for feedback from his friends, neighbours and finally at the retail point of purchase from the Purchase Manager or the Store Manager for suggestions or advice. With the advent of more choices to the customer from brands, product models, colours, technological innovations, the speed of product upgrades and obsolesce, and with less time to devote to the search, the natural inclination is to turn to the fastest solution at hand, i.e., social and digital media. This customer looks at all the experiences shared by them in the digital transformation either negative or



START-UPS

THAT COULD TRANSFORM THE BUSINESS OF RETAIL – II

In terms of the number of firms, India is still the third-largest start-up ecosystem in the world. China and Israel are not far behind, though, and the US leads by a huge margin. With a total funding of approximately \$4 billion, close to 650 start-ups were funded last year, signifying a healthy growth of the ecosystem. Over 30 new academic incubators have been established under the government's 'Start-up India Stand-up India' initiative this year, and tier-II/III cities have established 66 percent of the new incubators. With regard to investments, investors are increasingly looking at opportunities in start-ups in areas other than online retailing. Ventures in fintech, healthtech, edutech, data analytics, B2B commerce and artificial intelligence, are seeing rising interest. In this second segment of a roll-call of start-ups that could potentially alter the business of retail in India, we present 14 potential game changers.

By **Parama Sen**



M.PAANI

m.Paani is the first loyalty and data company focused on the mass-market consumer in emerging economies. Their mobile-based coalition loyalty program converts the commoditised mass market consumer into sticky customers for large corporate and local retailers/kiranas. The proprietary data they collect, builds a 360° view of the daily lives of a segment that is offline and transacting in cash enabling us to deliver unparalleled intelligence and brand loyalty to partners; and also design rewards and innovate new products tailored to an underserved and overlooked consumer.



ESTILOROB

Estilorobe is not just an app but a platform where users can schedule particular days when they plan to wear special looks approved or suggested by stylists or fashionistas and set a reminder in advance. Currently no single app exists in the market which provides all these features on a single platform. Users can seek personalised fashion advice from their favourite stylists. The USP of Estilorobe is its individuality and unique functionality, according to the co-founders. The app not only digitises and organises one's wardrobe but also offers styling options and provides updates on the latest trends. It connects users with fashion bloggers and fashionistas so that users can share their looks with them and get feedback on the same for modification or improvement. Integrating several other interesting features, the Estilorobe application is a complete package. For instance, users can store the looks which fashion bloggers or fashionistas have thumbed up for future trials.



ORION

EAST

ENERGISING THE NEIGHBOURHOOD RETAIL EXPERIENCE

Off to a promising start, Orion East Mall is redefining the neighbourhood shopping center format by leveraging its strategic location in east Bengaluru. Its thoughtfully curated assortment of brands, provide patrons with a 'just right' environment for shopping, leisure and entertainment. Orion East Mall hosts some of the most prestigious international and national brands like Shoppers Stop, Westside, Cinepolis, Marks & Spencer, Jack & Jones, Skechers, Adidas, Puma and many more. The mall is underlined by the signature Orion Mall experience in its conception and smart usage of space.

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