



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

CONTENTS

SECTION 1: **THE INDIAN RETAIL MARKET..... 28**

- 1.1 Indian Retail Market 30**
– *By IMAGES Research*
The modern retail share in this market is pegged at 13.7 per cent with a market size of ₹7,55,948 crore (US\$ 118 bn) in value terms.
- 1.2 India, Retail Round-Up 2017: Events, Trends and their Bearing on the Future of Retail 42**
– *By Baqar Iftikhar Naqvi, Business Director, Wazir Advisors*
India- the fifth largest global destination in the world has emerged as one of the most dynamic and fast-paced industries.

SECTION 2: **CATEGORY DYNAMICS 60**

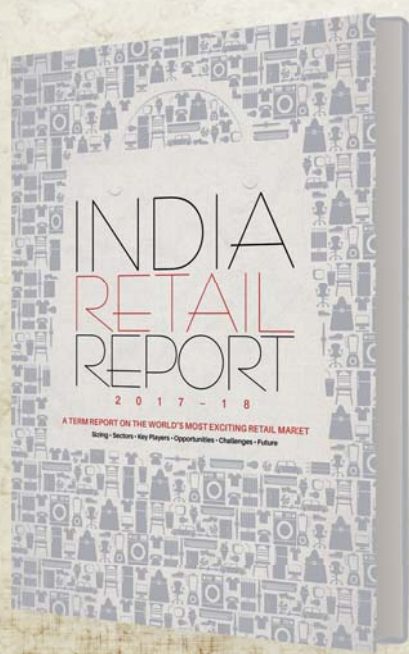
- 2.1 Fabrics & Apparel 62**
- 2.2 Fashion Accessories including Timewear & Eyewear 74**
- 2.3 Footwear 80**
- 2.4 Jewellery 84**
- 2.5 Food & Grocery..... 88**
- 2.6 Food Service..... 92**
- 2.7 Books & Stationery, Recreation and Travel ware 100**
- 2.8 Entertainment & Gaming 104**
- 2.9 Pharmacy..... 108**
- 2.10 Beauty, personal care & fitness 114**
- 2.11 Consumer Durables & Information Technology 118**

SECTION 3: **KEY RETAIL PLAYERS IN INDIA 130**

- 3.1 Aditya Birla Group 132**
- 3.2 RP-Sanjiv Goenka Group 140**
- 3.3 Landmark Group 142**
- 3.4 K Raheja Group 146**
- 3.5 Future Group..... 150**
- 3.6 Tata Group..... 154**
- 3.7 Godrej Group..... 158**
- 3.8 Raymond Group 160**
- 3.9 Arvind Limited..... 162**
- 3.10 Reliance Group 166**

SECTION 4: **KEY TRENDS & EVOLUTION..... 170**

- 4.1 Emerging Trends in Retail & Consumer Products..... 172**
– *By Pakhie Saxena, Saurav Kumar Chachan and Anuj Jaiswal, Technopak*
Today's digitally influenced and connected consumers are indifferent to brick-and-mortar versus e-tail contest and seek convenience, variety and seamless shopping experience.
- 4.2 Re-Imagining Retail: A Digitally-Enabled Transformation 186**
– *By Anand Ramanathan, Partner, Consulting; Praveen Govindu, Director, Consulting- Deloitte*
As retailers grow and evolve, they need to refine their business model to changes in the environment which offer them opportunities to enhance customer engagement .



CONTENTS

- 4.3 The Future of Retail & E-Commerce: How IoT shapes shopping, today and tomorrow 198**
– *By Mike Ghasemi, Research Director, APAC, Retail Insights & Head of WW Hospitality and Travel, IDC Asia Pacific*
For many in the industry, IoT disruptive technology that is already impacting the customer experience, and the bottom line for retailers.
- 4.4 India E-Commerce market 208**
– *By Reshmi Nambiar, Group Account Director, Kantar TNS*
Shopper truths apply both online and offline but the e-commerce context does create some differences in how people shop and what they are influenced by.
- 4.5 IoT Market In India..... 216**
– *By Ankur Shiv Bhandari, MD, Asbicon Group*
A rapidly growing hub for IoT solutions development, the country's IoT market size in this area is expected to increase about 7 times—from \$1.3 billion last year to \$9 billion by 2020.

SECTION 5: **RETAIL SPACE 220**

- 5.1 Future Proofing Retail Spaces 222**
– *By Pankaj Renjhen, Managing Director-Retail Services, JLL India*
JLL outlines the top trends shaping the future of retail space in India taking into cognizance the rapidly changing market dynamics and digital transformations.
- 5.2 Mall Gazing: UNDERSTANDING TRENDS IN TOP 8 INDIAN CITIES 230**
– *By Siddhart Goel, Senior Director, Research Services, Cushman & Wakefield*
The retail sector in India is emerging as one of the largest sectors in the economy. India also occupies the fifth position in global retail rankings for the largest markets.

SECTION 6: **THE INDIAN CONSUMER 236**

- 6.1 Indian shoppers continue to optimise spends but are willing to loosen their purse strings for tangible benefits 238**
– *By Sreyoshi Maitra, Director and Head of Shopper Insights, Nielsen South Asia*
FMCG growth has witnessed an upswing, and consumption growth has recovered despite increasing prices.
- 6.2 The New Indian : The Many Facets of a Changing Consumer 248**
– *By Abheek Singhi, Nimisha Jain and Kanika Sanghi, BCG*
Rising affluence will make India the third-largest consumer market by 2025, consumption expenditure will increase three times to hit \$ 4 trillion by 2025.

SECTION 7: **OPPORTUNITY INDIA RETAIL 260**

- 7.1 Indian Retail: A Winnable Marathon for the Consumer, Government and Industry..... 262**
– *By Subhendu Roy, Partner, A.T. Kearney*
Entrenched retailers are bringing focus in their operations, while new retailers are again entering the country.
- 7.2 The Land of Promise for Foreign Retailers 266**
– *By Namita Bhagat*
While the world's major consumer markets – the US, Europe and even the Middle East – are reeling under immense pressure, the Indian market has been relatively resilient and is growing.
- CONTRIBUTORS 272**

Indian Retail Market

– By IMAGES Research

India's total retail market has grown at a CAGR of 14.7 per cent since 2014 to reach the size of ₹55,31,471 crore (US\$ 864 bn) in 2016. The modern retail share in this market is pegged at 13.7 per cent with a market size of ₹ 7,55,948 crore (US\$ 118 bn) in value terms. By 2020, total retail market in the country will be 1.8 times of its estimated size to be valued at ₹ 98,35,076 crore (US\$ 1,537 bn). India's high economic growth, strong positioning as investment hub and stable government from world perspective; and economic & tax reforms, improving market sentiments, large earning & spending young population, urbanization, burgeoning e-commerce and digitization at domestic level, will act as main driving factors in the retail market growth.



India, Retail Round-Up 2017: Events, Trends and their Bearing on the Future of Retail

– By **Baqar Iftikhar Naqvi**, Business Director, Wazir Advisors

India- the fifth largest global destination in the world has emerged as one of the most dynamic and fast-paced industries due to the ground breaking historic decisions taken by the Government. These radical changes will impact the retail sector not just in the short term but will have a bearing on the future of the sector.



Year 2016-17 will go down as one of the most historic years for the Indian Industry, specifically retail. The year witnessed radical changes that impacted not just in the short term but will have a bearing on the further of the sector. In this paper, Wazir Advisors presents 7 of the most important events and trends that we believe will shape the future of the retail industry in India.

The Events Are:

1. Demonetization & Digitization – Cash is no longer the king
2. GST: A new beginning
3. FDI in Retail – Policy decisions making way for growth
4. DMart and the movement on the bourses
5. O2O – The way forward
6. The E-Commerce shakeout
7. Developing Skills for Retail: Action at the grassroot level

FABRICS & APPAREL

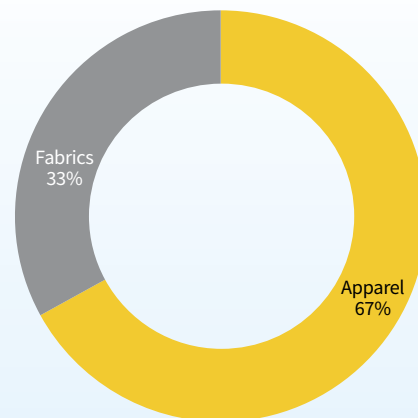


Fabric and apparel retail market in India is estimated at ₹4,42,691 crore (US\$ 69.4 bn) (2016) growing at a rate of 16.8 per cent over last two years. The organized share is 23.5 per cent valued at ₹1,04,918 crore. By 2020 the market is expected to reach the size ₹8,15,463 crore (US\$ 127.4 bn) growing at 16.5 per cent. The apparel market constituting readymade garments has grown over the years and currently holds 67 per cent share in total fabric and apparel market.

OVERVIEW

Branded apparel retail in India grew at fast pace aided by the entry of more international players as well as strong growth delivered by existing players. Apparel retail demonstrated comparatively high receptivity towards modern retail. High penetration of modern retail in apparel paved the way to introduce more formal and systematic processes and procedures in operations, procurement and distribution.

FABRICS & APPAREL MARKET

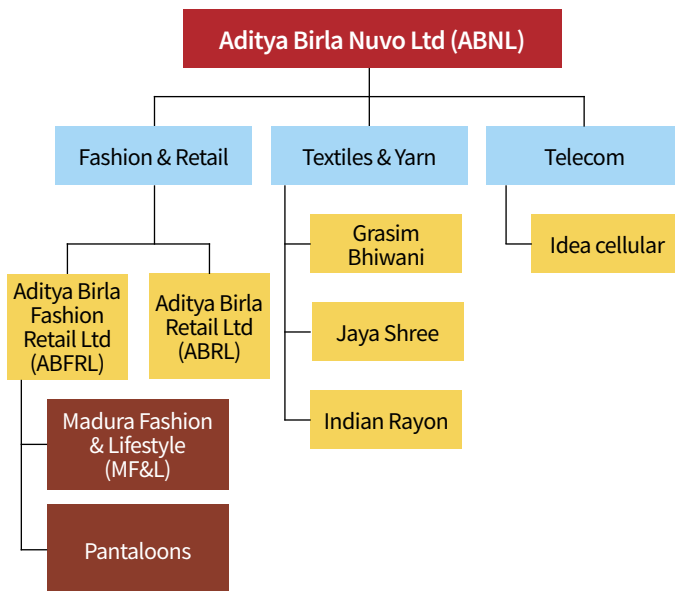


Source: Images Research analysis

ADITYA BIRLA GROUP



A US\$ 41 billion corporation, the Aditya Birla Group is in the League of Fortune 500. The conglomerate has an employee force of over 120,000 employees belonging to 42 nationalities. Over 50 per cent of its revenues flow from its overseas operations spanning 36 countries. It is the third-largest Indian private sector conglomerate. The group was founded by Seth Shiv Narayan Birla in 1857. The group has business interests in sectors such as viscose staple fibre, metals, cement (largest in India), viscose filament yarn, branded apparel, carbonblack, chemicals, fertilisers, insulators, financial services, telecom, BPO and IT services among others.



Fashion and Retail (PFRL) and Madura Fashion & Lifestyle (MF&L) in May 2015. PFRL was renamed Aditya Birla Fashion and Retail Limited (ABFRL). Today ABFRL is among India's top Fashion Lifestyle entity with a combined revenue of ₹6,633 crore for FY17, growing at a rate of 9.9 per cent and EBITDA of ₹476 crore that has grown at 18 per cent over FY16.

ABFRL altogether hosts India's largest fashion network with over 7,000 points of sale across over 375 cities and towns, which include more than 2,000 exclusive ABFRL brand outlets. With ~16 million Loyalty Members as of FY'17, ABFRL has a strong bouquet of loyalty programmes in India. ABFRL boasts of creating more than 20,000 new designs every year. The company primarily operates in the fashion segment of branded apparel and accessories. The product range covers ready-to-wear western and ethnic apparel for men, women and kids; footwear and fashion accessories.

Madura Fashion & Lifestyle

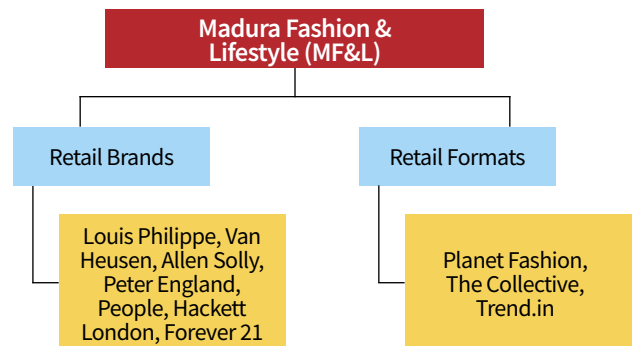
Madura Fashion & Lifestyle, a division of ABFRL, operates core business of fashion retail on a pan-India basis. Originally known as Madura Garments, MF&L was born in 1988. Madura Fashion & Lifestyle reaches its customers through an exclusive network comprising approx. 2,000+ stores (as on 31st December 2016), covering 3.05 million sq ft of retail space, and is present in more than 3,800 premium multi-brand stores and 490+ department stores. The company has four high profile brands viz. Louis Philippe, Van Heusen, Allen Solly and Peter England among others.

FASHION AND RETAIL BUSINESS OF THE GROUP

Aditya Birla Nuvo acquired Madura Garments, a ₹200 crore readymade garments division of Madura Coats Ltd., a subsidiary of Coats Viyella PLC, UK in 2000. It was transformed from a shirting player to a complete fashion and lifestyle proposition; from a wholesale focused business to India's largest branded apparel retail player having revenue of over ₹6,060 crore and market capitalisation of ₹10,970 crore.

ADITYA BIRLA FASHION RETAIL LTD (ABFRL)

Aditya Birla Fashion and Retail Limited (ABFRL) was formed after the consolidation of the branded apparel businesses of the Group comprising Aditya Birla Nuvo Limited's (ABNL) Madura Fashion division and its subsidiaries Pantaloons





Re-Imagining Retail: A Digitally-Enabled Transformation

– By **Anand Ramanathan**, Partner, Consulting; **Praveen Govindu**, Director, Consulting- Deloitte

As retailers grow and evolve, they need to refine their business model to changes in the environment which offer them opportunities to enhance customer engagement and improve the overall shopping experience. Digital has been one such critical disruptor that has had a profound impact on shoppers and retailers.

Digital provides opportunities for retailers to acquire new customers, engage better with existing customers, reduce the cost of operations, and improve employee motivation along with various other benefits that have a positive influence from a revenue and margin perspective.

For the purpose of this article, we have defined digital as a technology enabled combination of resources (can include instruments, devices, bots, tools, teams, protocols, processes, networks, methodologies) which enables the availability of content (can be data, information, expert/social reviews, reports, analysis, games) for the user (employee or customer) to make more productive (can impact cost, time or service level) decisions and satisfying choices.



The Future of Retail & E-Commerce: How IOT shapes shopping, today and tomorrow

– By **Mike Ghasemi**, Research Director, APAC, Retail Insights & Head of WW Hospitality and Travel, IDC Asia Pacific

You've likely heard of the Internet of Things (IoT), but may not be sure what it means for retailers. For many in the industry, it's disruptive technology that is already impacting the customer experience, and the bottom line for retailers. Discover what IoT is, and what it may mean to you in this special IRF report.

THE IMPACT OF IOT ON E-COMMERCE IS UNDENIABLE

E-commerce is growing every year and shows no signs of slowing down. E-commerce growth has regularly outpaced the total retail market over the past six years, and currently, e-commerce makes up 6 to 8 percent of the total retail market.

Today, digitally-connected shoppers expect a true omni-channel experience at every touch point. They want to find the right information at the right time at the right location. Location-based technology in a retail environment identifies the path that customers take to reach specific areas of a retail floor, and helps enhance the shopping experience. This is why the Internet of Things (IoT) is starting to take e-commerce to the next level, and will likely disrupt the traditional retail process in the coming years in a major way. Consider the following facts from IDC.

India E-Commerce market

– By **Reshmi Nambiar**, Group Account Director, Kantar TNS

A few years back India was a market where modern format retailers were trying to gain their fair share from the traditional format counter part. Times have changed dramatically since then with the advent of e-tailing. One of the interesting aspect about eCommerce is that shoppers use it both as a touchpoint and as a point of sale. Thus ecommerce can contribute to sales conversion whether the purchase is made online or offline.

Whether online or offline, brands have to break through in these environments. Shoppers use shortcuts to make decisions at shelf. The same shopper truths apply both online and offline but the e-commerce context does create some differences in how people shop and what they are influenced by.

The share of products purchased online vs. offline varies significantly by category. In this article we are trying to catch a glimpse of the categories which can drive growth for e-commerce in India. It also tries to look at the various triggers which will drive the next set of e-commerce shoppers to go online and click on add to cart.



AN OVERVIEW OF THE ECOMMERCE INDUSTRY:

India is a coveted market for all major online retailers. Here is the main reason why: it is estimated that by 2020, India's internet users are expected to reach 730 million users that is almost two times the population of US. This growth will be accompanied by rise of the ecommerce industry.

The e-commerce industry is expected to reach USD 34 billion, with 200 million people transacting online.¹ While the source of growth is important to monitor, it is equally important for marketers to understand the factors behind the growth and explore routes to maximize this opportunity for their products & brands.



IoT Market In India

– By **Ankur Shiv Bhandari**, MD, Asbicon Group

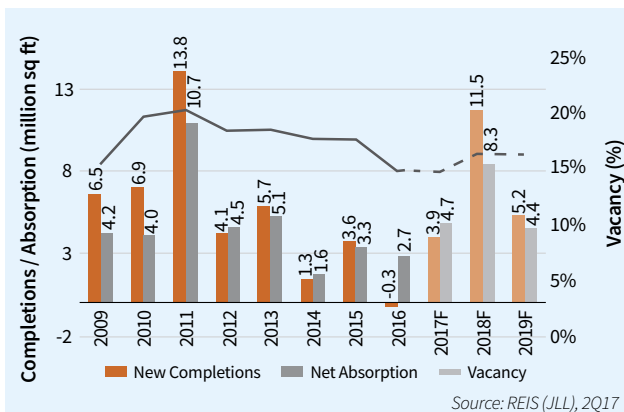
The number of units under Internet of Things (IoT) in India, is expected to grow exponentially to 1.9 billion units by 2020 or about \$9 billion, says a report. A rapidly growing hub for IoT solutions development, the country's IoT market size in this area is expected to increase about 7 times—from \$1.3 billion last year to \$9 billion by 2020.

CONNECTED DEVICES/INTERNET OF THINGS(IOT)- A GLOBAL VIEW

With Connected devices projected to grow from circa 9 billion in 2012 to anywhere between 30 and more than 100 billion in 2020 globally, it is no surprise that for the past few years we have seen amazing introductions into the Connected devices /Internet of Things space. The new product launches in IFA 2017 this week (last week of August 2017) included a multitude of Voice activated speakers using “Google Assistant” by companies such as Panasonic, LG, JBL etc. using a combination of voice and internet connectivity. These can allow you to do a plethora of things by just using your voice, including but not limited to Playing Music, managing lights in different rooms of your house, scheduling your calendars, ordering your shopping etc etc etc. This is a technological/ Shopper behaviour/ Consumer experience revolution on its way. The product developments in the Internet of Things/ connected space have been many in the past few years , whether it is connected wearables such as smart watches, connected home utilities, new ventures into connected clothing sharing muscle movements, connected health with potential for vital health stats to be shared across the healthcare provision space or our refrigerators monitoring state of food, the potential is astounding (one of the projections shared below).

India has become the top most retail destination amongst 30 developing markets in the AT Kearney's Global Retail Development Index (GRDI) impelled by positive foreign investment environment, strong economic growth and a rapidly increasing consumer spending.

The pace of evolution in Indian retail sector has been quite fast forward. The gap between India's retail sector and developed countries is shrinking leading to entry of marquee global brands and development of international standard retail spaces. India is accelerating quite rapidly on the evolution curve similar to developed markets and the world is getting flatter by the day. Indeed we can say that it's just the beginning of the next big wave of retail evolution that we are witnessing. Infact the speed of transformation has just accelerated and the changes that we have witnessed in the last decade will be predominated by the transformation coming in the next decade. Indian retail real estate sector is also responding quite dynamically to the changes witnessed in the retail market.



A net negative supply of retail space was observed in 2016 due to closure of some failed malls or change into their usage to other asset classes. *Survival of the fittest and the one who is creative and responsive to change holds true for Indian retail real estate sector.*

In 2017 around 3.9 Million Sqft of retail supply is expected to get operational. However for retail spaces to stay relevant in future there is a constant need for evolution and innovation. Propelled by technology and option of buying online the super informed consumers are demanding the best products and services.

Trends such as online retailing and omni channel retailing are significantly gaining traction in Indian retail sector. Smartphones play a key role in driving website traffic in India, and the retail sector was the most visited, with an annual growth rate of 45.3 per cent in 2016.

While popularity of omni channel amongst retailers is foreseeable, it is also being recognised that providing an overall pleasing experience and personal touch points leads to brand loyalty and repeated visits by customers. The human connect and touch points can be offered only by a brick and mortar stores. The emotional intelligence and superlative services provided by physical stores are inevitable in retail sector. Therefore while physical stores would remain at the centre of the retail expansion strategy but its role would undergo massive transformation against the backdrop of constantly changing virtual world and super informed consumers.

So the big question is how do we future proof our retail spaces?

Going forward it would be all about place making, offer of superlative experience, innovative formats and technology. Creating places where people want to be, where they are offered differentiated and interactive experience will drive the development of the built environment over the next decade.

The top 3 trends shaping the future of retail space in India taking into cognizance the rapidly changing market dynamics and digital transformations are:

TOP 3 TRENDS SHAPING THE FUTURE OF RETAIL SPACE IN INDIA

Future Proofing Retail Spaces

Retailer Innovations

- Relooking Store Network Strategy
- Adoption of Omni-channel retailing
- New Formats and enhancing store design
- Local Brands exploring new geographies

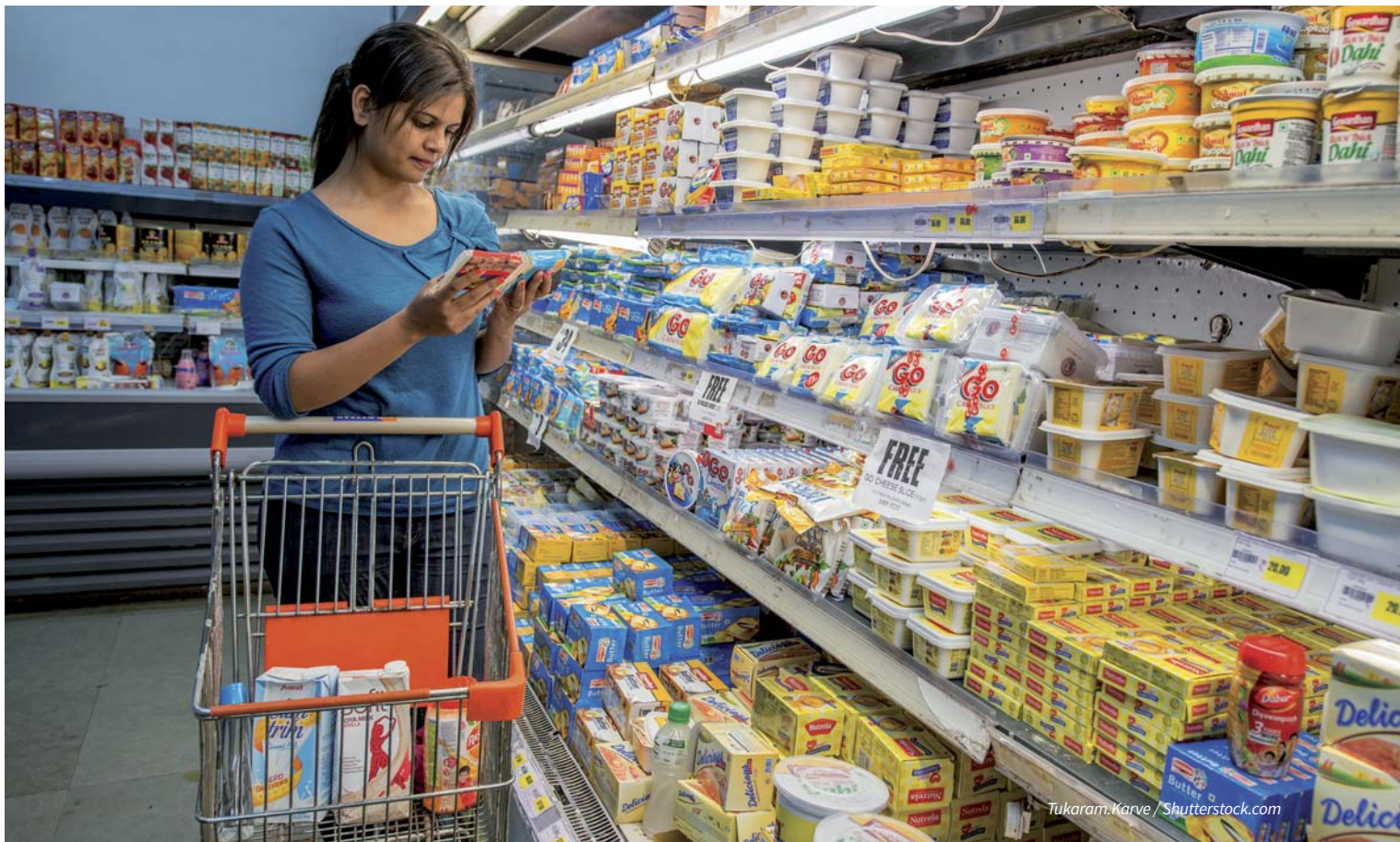
Redefining Retail Spaces

- Dynamism , Place making and Value Added Services
- Increasing importance of F&B and Entertainment
- Alternative Locations and formats/Iconic Properties-Generating Creative thinking for scouting properties

Technology Enablers

- Social Media and Apps
- Mall and In store technology
- Retail Analytics





Indian Retail

A Winnable Marathon for the Consumer, Government and Industry

– By **Subhendu Roy**, Partner, A.T. Kearney

Modern Retail in India is here to stay. It has just changed tracks over the past 10 years. What many considered to be a 100 meter dash to glory is more like a marathon. Winning the race will test our focus, endurance and capabilities. Indian consumers, especially the middle class, are cautious but confident. They provide the necessary energy to run the marathon. Favorable Government policies are providing the necessary environment to win. Entrenched retailers are bringing focus in their operations, while new retailers are again entering the country. All of this has contributed to India reclaiming the top rank in A.T. Kearney's 2017 Global Retail Development Index. The marathon is winnable.

MODERN RETAIL – A CLEAR CONSUMER NEED

India continues to be uniquely positioned on the cusp of growth backed by a large talent pool and expanding domestic demand. The GDP is forecast to grow over 7% percent in both 2017 and 2018, which is helping boost the middle class and increase consumer spending beyond the essentials. Contrary to perception, consumer expenditure is not slowing down in India. Private consumption has been 36-37% of GDP since 2008, and is expected to grow over the next 10 years. In absolute terms, it is expected to double in the next decade (*Exhibit 1*).

The Land of Promise for Foreign Retailers

– By Namita Bhagat



India's stature as one promising business destination has dramatically grown post the global financial crisis of 2008. While the world's major consumer markets – the US, Europe and even the Middle East – are reeling under immense pressure, the Indian market has been relatively resilient and is growing. No wonder, foreign retailers and brands are now pinning hopes on the country for their future growth.

INDIA, AN ATTRACTIVE MARKET FOR FOREIGN RETAILERS

India, according to a report, has surpassed China as the most promising market for retail expansion. China's retail market is maturing and GDP growth has lagged, whereas India has expanding economy and its consumption story is intact. No wonder, foreign retailers and brands are now pinning hopes on the country for their future growth.

Here're some key factors that are working in favor of the Indian retail market.

- **Increasing purchasing power:** India is one of the fastest growing consumer markets in the world. Consumption is mainly being driven by rising incomes and increasing purchasing power. Middle class and affluent classes hold the key to the uptick in the overall consumption activity. A majority of foreign brands so far have catered to the well-heeled and there is a large opportunity for the players that can tap the more price-sensitive consumers. The luxury and affordable luxury segment is also picking up, nonetheless.
- **Urbanization, shift in consumption habits:** Metros and urban areas with large consumer population and quality retail infrastructure are attractive for local as well as foreign retailers. Small cities and towns are increasingly converting to urban-like living. Owing to rapid pace of urbanization, roughly 60% Indians will live in cities by 2050. Greater exposure, changing social norms, busy life styles and willingness to experiment has its bearing on the consumption habits of people across all ages. For instance, eating out or food ordering has become really common these days; world foods are finding their way into Indian homes; women and young girls are ever more comfortable with western wear; men's spending on personal care and grooming is on rise; parents prefer

India is today regarded as one of the most promising retail markets of the world. The modern retail phenomenon that took roots in India in 1990's is now bearing fruits. 1990s was also the time when liberalized India's tryst with foreign retailers began when the legacy mega-brands McDonald's, KFC (QSR), Baskin Robbins (Ice cream), Adidas, Reebok and Nike (Footwear), and Levi's (Clothing), etc, set foot on Indian soil and gave locals the first taste of modern retail culture that has only grown to be bigger and stronger with passage of time. Their success as well inspired other international brands and retailers to look towards India.

International business expansion never is a cake walk, and in an expansive, heterogeneous market like India, certainly not! Despite challenges, the influx of foreign retailers has continued to increase and the country's market is replete with many more success stories.

ATKearney

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SUBHENDU ROY
Partner, A.T. Kearney

Subhendu is a Partner at A.T. Kearney with primary focus on Go-To-Market strategy and end-to-end P&L Transformation. He has over 14 years of experience with some of Asia's leading Retailers and Consumer Product companies.



Asbicon is a "Sales & Marketing Support Company" focused on the Consumer Goods & Services sector. Asbicon enables this through its 6 verticals of Research, Assisted Advisory, Capability Development, Data services, Design services & IT solutions providing Retail & Distribution effectiveness to its clients.



ANKUR SHIV BHANDARI
Managing Director- Asbicon Group

Ankur Shiv Bhandari is the Managing Director of Asbicon Group based in London with a big chunk of his time spent in India. Asbicon is a "Sales & Marketing Support Company" focused on the Consumer Goods & Services sector. Asbicon enables this through its 6 verticals of Research, Assisted Advisory, Capability Development, Data services, Design services & IT solutions providing Retail & Distribution effectiveness to its clients.

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INDIA
RETAIL
REPORT
2017-18

COVER PRICE:

India: ₹5000

Overseas: US\$ 100

Cost includes courier charges
