# CHAPTER IV

**PROFILE OF ORGANIZED RETAIL SECTOR**  65-115

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CHAPTER IV

PROFILE OF ORGANIZED RETAIL SECTOR

4.1. Introduction:
The emergence of organized retail has been a latest happening in the country, starting in the late 1990s. It was growing fast, at nearly 20% per annum during the past three years. Unorganized retail also grew but at a slower speed of nearly 11% per annum. There are signs that the development of organized retail has accelerated. It is anticipate gathering further force during the coming years. This chapter deals with profile of organized retail sector.

4.2 Overview of Organized Retail Sector:
The retail sector is one of the rising industries in India over the last couple of years. India retail sector comprises of organized retail and unorganized retail sector. The retail market in India was mostly unorganized. Organized retail is gradually becoming popular with changing consumer preferences. India's strong growth fundamentals 9% real GDP growth in 2010; predicted yearly growth of 8.7 percent through 2016. High saving and investment rates; fast labor force growth; and increase consumer spending make for a very favorable retail environment and the 4th spot in the GRDI. It has been the case for several years, Indian consumers continue to urbanize, have more money to spend on non-food purchases, and have more exposure to brands. The result is a powerful, sharper consumer class. India's population of nearly 1.2 billion forecasts eventually to overtake China's also is an attractive target. Organized retail accounts for 7% of India's roughly $435 billion retail market and is expected to reach 20% by 2020. Big-box retail, in the form of hypermarkets, has gained distinction a refocus from the growing supermarkets and small formats of several years ago. Food accounts for 70% of Indian retail, but it remains under-penetrated by organized retail.
Organized retail has a 31% share in clothing and apparel and continues to see growth in this sector. The home segment shows promise, growing 20 to 30% per year. India's more urban consumer mindset means this sector is on the edge for growth.

The recession proved an opportunity for domestic and foreign retailers to optimize their store portfolios and drive more profitable growth in India. They are now in much better and smarter positions to take advantage of India's retail possibilities. Domestic players are selectively growing in India postponing aggressive growth plans, adding stores thoughtfully and shifting gears to tier 2 and 3 cities. Aditya Birla Group planned to open about 100 supermarkets and 10 hypermarkets by mid 2012. Spencer's was expected to add up to 25 hypermarkets through 2012. Reliance Retail, India's organized retail leader, plans to open 150 Reliance Trends apparel and accessories stores in the next year. Foreign players are also adding stores—the United Kingdom's Marks and Spencer is planning 50 retail outlets in the next five years. Wal-Mart was planning up to 12 outlets in its wholesale format by the end of 2012, and Metro Group plans 50 wholesale stores in the next five years. International food retailer Spar plans to open another 24 hypermarkets in the next two years. Zara opened in Delhi and Mumbai last year, has already added a third store in Delhi and, after early success, plans to expand across India. Carrefour entered India in December 2010 with its first wholesale cash-and-carry store and has plans to open more stores by end of 2012.

Though the biggest cities will remain retail centers in coming years, retailers have started focusing on tier 2 cities to gain the early-mover advantage and to get in while the real estate is still available. The increased salaries and growing ambition levels of tier 2 consumers is allowing the neighborhood store, the large-format retail store and the foreign investor-funded retail store to coexist. Retailers with plans to enter tier 2 cities include Spencer's, Spar, Reliance Retail, Pantaloons Retail, Shoppers Stop and Trent's Westside.
Indians continue to urbanize and have more money to spend on non-food purchases. The result is a powerful, more discriminating consumer class. India remains a hot market for retailers, it has its difficulties. Foreign direct investment (FDI) regulations continue to require single-brand retailers to enter the market through an Indian partner or joint ventures. Government policy-change discussions have intensified recently, but whether or not there will be new rules remains uncertain. The regulatory challenges mean that selecting the right partner is crucial for success. Beyond having access to the right real estate, the skills to customize assortments to local tastes and financial stability, there also needs to be intangible "chemistry" between top management at both companies. While India is a difficult market to enter, the potential payoff is huge. Private equity firms have taken note and retail investment has increase in the past year to more than $370 million. Examples include a $200 million investment in Cafe Coffee Day by KKR, an $86 million investment in Lilliput Kidswear by Bain Capital and TPG and several investments in fast-food restaurants.

According to McKinsey report 'The rise of Indian consumer market', estimates that the Indian consumer market is likely to grow four times by 2025. Commercial real estate services company, CB Richard Ellis findings state that India's retail market is currently valued at US$ 511 billion (Bang, 2009). According to the Investment commission of India, India is expected to be among the top 5 retail markets in the world in 10 years. India's overall retail sector is expected to rise to US$ 833 billion by 2013 and to US$ 1.3 trillion by 2018, at a compound annual growth rate (CAGR) of 10 per cent. As an emerging market with high growth rates, consumer spending has risen sharply as the youth population (more than 33 percent of the country is below the age of 15). It has seen a significant increase in its disposable income. Consumer spending rose an impressive 75 per cent in the past four years alone. Also, organized retail, which accounts for almost 5 per cent of the
market, is expected to grow at a CAGR of 40 per cent from US$ 20 billion in 2007 to US$ 107 billion by 2013. 

According to a new study by global management consulting firm AT Kearney says that in India, apparel, along with food and grocery, will lead organized retailing in India. India has one of the largest numbers of retail outlets in the world. 

A report by Images retail estimates highlighted on the number of operational malls to grow more than double, to cross 412, with 205 million square feet by 2010, and a further 715 malls to be added by 2015, with major retail developments even in tier-II and tier-III cities in India.

According to new market research report by RNCOS titled, "Booming retail sector in India", specifies that the number of shopping malls is expected to increase at a CAGR of more than 18.9 per cent from 2007 to 2015. It further specifies that rural market is projected to dominate the retail industry landscape in India by 2012 with total market share of above 50 per cent. Thus, according to industry experts, the next phase of growth is expected to come from rural markets, with rural India accounting for almost half of the domestic retail market, valued over US$ 300 billion. In order to be truly successful, retailers must advance from the generic or store brand mindset of the past to a new private label paradigm. Many retailers have begun to describe their private label brands as “own” brands because there is recognition that these proprietary, exclusive offerings are tools that represent momentous power and potential for the retail store.

4.3 Size and Growth of Organized Retail Sector:

An increasing number of people in India are turning to the services sector for employment due to the relative low compensation offered by the traditional agriculture and manufacturing sectors. The organized retail market is growing at 35 percent annually while growth of unorganized retail sector is
pegged at 6 percent. The Retail business in India is currently at the point of inflection. Rapid change with investments to the tune of US $ 25 billion is being planned by several Indian and multinational companies in the next 5 years. It is a huge industry in terms of size and according to management consulting firm Technopak Advisors Pvt. Ltd., it is valued at about US $ 350 billion. Organized retail is expected to grow about 16-18 percent of the total retail market (US $ 65-75 billion) in the next 5 years. India has topped the A.T. Kearney’s annual Global Retail Development Index (GRDI) for the consecutive year, maintaining its position as the most attractive market for retail investment. The Indian economy has registered a growth of 9% for 2010. The growth of the retail industry has created a huge demand for real estate. Property developers are creating retail real estate at an aggressive pace and by 2010; 300 malls are estimated to be operational in the country. With over 1,000 hypermarkets and 3,000 supermarkets projected to come up by 2011, India will need additional retail space of 700,000,000 sq ft (65,000,000 m²) as compared to today. Current projections on construction point to a supply of just 200,000,000 sq ft (19,000,000 m²), leaving a gap of 500,000,000 sq ft (46,000,000 m²) that needs to be filled, at a cost of US$15–18 billion.

Following are some highlighted points of Indian Retail Sector:

- Indian Retail sector is the fourth largest global retail destination.
- India retail market is dominated by the unorganized sector.
- The top five companies in retail hold a combined market share of less than 2%.
- The Indian retail market has been ranked by AT Kearney's The 2011 Global Retail Development Index (GRDI), in 2011 as the most attractive emerging market for investment in the retail sector.
- Currently the share of retail trade in India's GDP is around 13 per cent, and is estimated to reach 22 per cent by 2011.
According to Government of India estimate the retail sector is likely to grow to a value of 2,00,000 crore (US$45 billion) and could yield 10 to 15 million retail jobs in the coming five years; currently this industry employs 8% of the working population.

India continues to be among the most attractive countries for global retailers. According to the Department of Industrial Policy and Promotion, approximately US$ 47.43 million was the amount of Foreign Direct Investment (FDI) inflow as on September 2009, in single-brand retail trading.

More than 80% of the retail sector in the country is concentrated in the large cities.

Indian retail sector accounts for 22% of the country’s GDP and contributes to 8% of total employment

Hypermartks, currently accounting for 14% of mall space are expected to witness high growth

Demographic dividend with over 50% of country populace under 25 years of age is a prime driving factor for modern retail sector

### 4.4 Share of Various Segment of Organized Retail Sector

Segments based on product retails: Categorization based on type of products is more widely used to understand the Indian Organized Retail Sector. These segments are following:

- Clothing, Textiles and Fashion Accessories
- Jewellery
- Watches
- Footwear
- Health and Beauty care services
- Pharmaceutical
- Consumer Durable, Home Appliances/equipments
- Mobile handset, Accessories and services
- Furnishings, Utensils, Furniture Home and Office
- Food and Grocery
- Out-of-Home Food Services
- Books, Music and Gift
- Entertainment

Following Table No. 4.1 shows the share of various segment of Organized Retail Sector

**Table No 4.1 Share of Various Segment of Organized Retail Sector**

<table>
<thead>
<tr>
<th>Consumption Category</th>
<th>Share in Organized Retail</th>
<th>Extent of Penetration</th>
</tr>
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<tbody>
<tr>
<td>Clothing, Textiles and Fashion Accessories</td>
<td>38%</td>
<td>23%</td>
</tr>
<tr>
<td>Food and Grocery</td>
<td>11%</td>
<td>1%</td>
</tr>
<tr>
<td>Footwear</td>
<td>10%</td>
<td>48%</td>
</tr>
<tr>
<td>Consumer Durable, Home Appliances and Equipments</td>
<td>9%</td>
<td>12%</td>
</tr>
<tr>
<td>Out of Home Food (Catering) Services</td>
<td>7%</td>
<td>8%</td>
</tr>
<tr>
<td>Furnishing, Utensils, Furniture Home and Office</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>Mobile handset, Accessories and services</td>
<td>3%</td>
<td>10%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>3%</td>
<td>5%</td>
</tr>
<tr>
<td>Jewellery</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Books, Music and Gift</td>
<td>3%</td>
<td>13%</td>
</tr>
<tr>
<td>Watches</td>
<td>3%</td>
<td>49%</td>
</tr>
<tr>
<td>Pharmaceutical</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Health and Beauty Care Services</td>
<td>1%</td>
<td>14%</td>
</tr>
</tbody>
</table>

(Source: Image Retail 2009 and IMACS Analysis)
**Clothing and Textiles:** Apparel and accessories retailing is the largest segment of organized retailing in India, constituting 38% of the total organized retail. The penetration of Organized Retail in the category is around 23%. Major sub segments are based on Gender (Men and Women), Age (Kids, Infant), Use and occasion based (Formal, Casual, Bridal, Sportswear, Uniforms, etc). Most of the major sub segments have performed well on account of demographic, economic and social factors like high disposable incomes, more number of working women, young demography, etc. The premium range across apparel segments has shown the fastest growth in volume and value on account of rising aspirations as well as a growing willingness to pay a premium for quality. Malls and Hypermarkets are likely to increase the penetration of organized apparel retailing in the country. Apparel makes up for a large proportion of total sales for hypermarket players such as Big Bazaar and Vishal Mega Mart. This segment has attracted global players like Guess, Gas, Levi’s, Benetton, Gucci, Marks and Spencer. Most of the global as well as Indian brands have adopted the franchisee route for expansion, due to the relatively lower level of investment involved. The major Indian players include Arvind Brands, ITC, Koutons, and Raymond.

**Jewellery:** Jewellery accounts for 3% of the organized retail market and the penetration of organized retail is only 3%-4%. The two major segments of this sector in India are gold jewellery and diamonds. Gold jewellery forms around 80% of the Indian jewellery market, with the balance comprising made-up studded jewellery that includes diamonds as well as gemstone studded jewellery. The Indian gems and jewellery market continues to be dominated by the unorganized sector in the form of “Family jeweller”. However, with the Indian consumer becoming more aware and quality conscious, branded jewellery is becoming very popular. This industry with a
large number of retailers is expected to see larger players and consolidation growing forward.

**Watches:** Watches accounted for 3% of the organized retail market and have the highest penetration of organized retail. The Indian watch industry is clocking double digit growth rates in the recent past which is in line with the growth of the economy. The growth in the luxury segments has been higher on account of increasing disposable incomes and watches being seen as more of a status symbol. The trend is in line with the global markets where the Swiss majors have been on a growth path and Japanese majors are seeing a flat top-line. The Indian watch market holds immense potential as the penetration levels of watches is very low in India, especially in the rural and semi urban areas.

**Footwear:** India is the second largest manufacturer of footwear in the world, next only to China. The market size of footwear in India is 2.6-35 billion pairs per annum. The market size of the footwear industry in the top 20 cities in the country is estimated to be 10 crore pairs per annum. Organized retail has higher levels of penetration in footwear and the segment accounts for around 10% of the total Organized retail market. The organized footwear retail market can be segmented based on utility - sports footwear, semiformal/casual footwear and formal wear, as well based on gender/age - men, women and kids. The market is dominated by casual and sportswear which makes up nearly two-thirds of the total footwear retail market. The branded sportswear segment has been outperforming rest of the segments and it is estimated to be worth Rs. 1,000 crore.

**Health and Beauty Care Services:** The category includes health and beauty care services such as weight loss clinics, skin and hair treatment clinics, beauty parlours/saloons and spas and accounts for 1% of the organized retail market. This category comes under the realm of service retailing and involves
human resource with specific skill sets. Beauty parlours and saloons are the major sub segments which are dominated by the unorganized segment.

**Pharmaceuticals:** Pharma retail space is dominated by unorganized players “neighbourhood chemists” which are small family-owned stores measuring less than 250 sq. ft. Pharmaceuticals retail accounts for 3% of the organized retail pie. About 2% of the pharma retail industry is now occupied by organized retailers such as Apollo Healthcare, Medicine Shoppe, and Guardian Pharmacy. Factors such as ambience, availability, reliability and quality of drugs, price discounts on account of economies of scale in procurement will help organized pharma retailers to acquire a bigger share of the market.

**Consumer Durables, Home Appliances/equipments:** The category consists of various white goods such as refrigerators, washing machines as well as electronic products (excluding mobile phones). Indian consumer durable industry is having significantly less penetration levels as compared to other countries in the world. As a result of this, India is having huge unrealized potential. The rural market is growing faster than the urban market, although the penetration level in rural area is much lower. Split air-conditioners, frost-free refrigerators, fully automatic washing machines, microwave ovens, and high-end flat panel TVs are likely to have well growth rates. The colour televisions (CTV) segment is expected to be the largest contributing segment to the overall growth of the industry. The Indian middle class, defined by the National Council of Applied Economic Research (NCAER) as households with annual income of between Rs. 2.5 lakh and Rs. 5 lakh, has been driving the consumption of goods such as cars, refrigerators and colour TV sets. According to NCAER, such consumers, accounting for about 12% of the country’s households, owned 60% air conditioners and 25% of all TV sets and refrigerators. Many manufacturers of consumer durable goods are now tying up with retailers/distributors for providing solutions to the end-
consumer more effectively. Organized retail format is quick catching up in the country and would drive up sales of consumer durable goods by setting new formats such as multi-brand showrooms.

**Mobile handsets, Accessories and Services:** The increasing penetrations of mobile phones have offered opportunities in handsets and accessories as well as recharge cards and repair service retailing. India witnessed a growth of 25.5% in sales of mobile handsets during 2008 with 124 million devices sold compared to 98.8 million during 2007. The number of mobile subscribers in India touched 500 million by 2010, with growth in rural markets. The number of mobile phone retailers in India is reached 10 lakh by 2010. This segment accounts for 3% of the Organized Retail market. The market has seen the entry of large retail chains like Univercell, The Mobile Store, and Hotspot.

**Furnishings, Utensils, Furniture-Home and Office:** This segment constitutes 6% of the organized retail market. The penetration of organized retail in the sector is more pronounced in the premium category like high end modular kitchens, designer furniture, bathroom accessories, etc. The major players in this segment include Godrej Lifespace, Fabindia, Home Town, Style Spa and Welspun. Economic development and easy credit availability have led to a boom in both in housing and commercial sector fuelled the demand for furniture and furnishings. Social factors like young demography, nuclear families etc have also contributed to the same.

**Food and Grocery:** Food and grocery, which is the largest segment of the total retail industry. It is the second largest in the organized space accounting for 11.5% of the market. This segment holds the largest potential for organized retail. The share of organized retail is more in case of dry groceries. The economies of scale allow the retailers to offer products at a cheaper rate to the very price sensitive Indian customers along with assortment of goods and the right ambience. The unorganized segment
dominates the wet grocery segment. Unorganized supply chains and regulations are the key bottlenecks for organized retailers. The key players in this segment are Food Bazaar, Reliance Fresh, More, and Spencer’s.

**Out-of-Home Food Services:** This segment constitutes about 7% of the Organized retail market. The key success factors for organized retailers are quality, ambience and differentiated product offerings. Lifestyle changes have led to people leading a fast pace life have led in number of restaurants, and fast food joints. “Eating out” as means of recreation has also fixed up. Indians’ taste buds are more than willing to taste international cooking such as Chinese, Italian, Thai, and Mexican which offers a “change” from the traditional Indian cooking. Most of the leading multinational foodservice chains such as Pizza Hut, McDonald's have adopted the franchising route to set-up their Indian operations. They have also adopted to the local taste preferences. Health consciousness is on the rise as more and more people suffer from fatness related problems, which is an important trend to watch out for.

**Books, Music and Gifts:** This segment constituted 3% of the organized retail market with most of the penetration being limited to urban areas. Key players in this segment include Planet M, Music World, Landmark, Odyssey, Higginbothams and Archies. The differentiating factors for the organized formats are services include book reading sessions, ambience and wide assortment of goods. Marketing efforts like “Occasion Marketing” (Father’s Day, Mother’s Day etc) and brand building activities have contributed to the growth of gift retailers. The segment is likely to be significantly impacted by the growth in internet usage and mobile phone penetration. Music downloads on phone/internet; e-tailers like Amazon are likely to offer stiff competition to the industry. Pirated books and music have always been a source of problem and will continue to be so in the near future.
4.5 Segment Based Retail Store Format:  

**Hypermarket**

Hypermarkets offer a large basket of products, ranging from grocery, fresh and processed food, beauty and household products, clothing and appliances, etc. Hypermarket varying between 50,000 sq. ft. and 1,00,000 sq. ft. The key players in the segment are: the RPG Group's Giant (Spencer’s) hypermarkets, and Pantaloon Retail's Big Bazaars.

**Cash-and-carry**

These are large B2B focused retail formats, buying and selling in bulk for various commodities. Cash-and-carry (CandC) stores are large (more than 75,000 sq. ft.), carry several thousand stock-keeping units (SKUs) and generally have bulk buying requirements. In India an example of this is Metro, the Germany-based CandC, which has outlets in Bangalore and Hyderabad.

**Department Store**

Department stores generally have a large layout with a wide range of merchandise mix, usually in cohesive categories, such as fashion accessories, gifts and home furnishings, but skewed towards garments. These stores are focused towards a wider consumer audience catchment, with in-store services as a primary differentiator. The department stores usually have 10,000 - 60,000 sq. ft. of retail space. Various examples include: (i) Shoppers' Stop, controlled by the K. Raheja Group, a pioneering chain in the country's organized retail; (ii) Pantaloons, a family chain store, which is another major player in the segment; (iii) Westside, the department store chain from Tata Group's Trent Ltd; (iv) Ebony, a department store chain from another realestate developer, the DS Group; (v) Lifestyle, part of the Dubai-based retail chain, Landmark Group; and (vi) the Globus department and superstore chain.
Supermarket
Supermarkets, generally large in size and typical in layouts, offer not only household products but also food as an integral part of their services. The family is their target customer and typical examples of this retailing format in India are Apna Bazaar, Sabka Bazaar, Haiko, Nilgiri’s, Spencer’s from the RPG Group, Food Bazaar from Pantaloon Retail, etc.

Shop-in-Shop
There is an explosion of large shopping malls across major cities. Since they are becoming a major shopping destination for customers, more and more retail brands are devising strategies to scale their store size in order to gain presence within the large format, department or supermarket, within these malls. For example, Infinity, a retail brand selling international jewellery and crystal ware from Kolkata's Magma Group, has already established presence in over 36 department chains and exclusive brand stores in less than five years. Shop-in-shops have to rely heavily on a very efficiently managed supply chain system so as to ensure that stock replenishment is done fast, as there is limited space for buffer stocks.

Specialty Store
Specialty stores are single-category, focusing on individuals and group clusters of the same class, with high product loyalty. Typical examples of such retail format are: footwear stores, music stores, electronic and household stores, gift stores, food and beverages retailers, and even focused apparel chain or brand stores. Besides all these formats, the Indian market is flooded with formats labelled as multi-brand outlets (MBOs), exclusive brand outlets (EBOs), kiosks and corners, and shop-in-shops.
**Category Killers – Large Speciality Retailers**

Category killers focus on a particular segment and are able to provide a wide range of choice to the consumer, usually at affordable prices due to the scale they achieve. Examples of category killers in the West include Office Mart in the US. In the Indian context, the experiment in the sector has been led by “The Loft”, a footwear store in Powai, Mumbai measuring 18,000 sq. ft.

**Discount Store**

A discount store is a retail store offering a wide range of products, mostly branded, at discounted prices. The average size of such stores is 1,000 sq.ft. Typical examples of such stores in India are: food and grocery stores offering discounts, like Subhiksha, Margin Free, etc. and the factory outlets of apparel and footwear brands, namely, Levi’s factory outlet, Nike’s factory outlet, Koutons, etc.

**Convenience Store**

A convenience store is a relatively small retail store located near a residential area (closer to the consumer), open long hours, seven days a week, and carrying a limited range of staples and groceries. Some Indian examples of convenience stores include: In and Out, Safal, amongst others. The average size of a convenience store is around 800 sq.ft.

**Malls:**

Shopping malls are the largest form of organized retailing today. These are located mainly in metropolitan cities, in proximity to urban outskirts. The area of shopping malls ranges from 60,000 sq ft to 7,00,000 sq ft and above. The idea is to lend an ideal ‘shopping experience’ which includes an amalgamation of product, service and entertainment all under a common roof. Examples include Inorbit Mall in Mumbai, Ansal Plaza in Delhi, South City mall in Kolkata. (Source: Technopak Advisors Pvt. Ltd.)
4.6 Key Players in Industry

Pantaloon Retail (India) Limited

Pantaloon Retail, a Future Group venture started its operations with Pantaloon Shoppe in 1993 and has since emerged the retailing giant of India with over 5 million square feet of retail space spread over 450 stores across 40 cities in India. Pantaloon Retail operates in over twenty diverse store formats, with a spectrum of offerings ranging from food and grocery to carpentry services. It operates some of the immensely popular retail outlets of India, including the Central chain of malls, Big Bazaar and Brand Factory. The aggressive expansion rate, combined with the aim of capturing both the value segment and the lifestyle segment of the market has resulted in Pantaloons capturing a large part of the organized retail pie. The company clocked revenues worth US$ 869 million in 2010, an 84 per cent increase over 2005-06. The operating income stood at US$ 43.9 million, 5 per cent of total revenues. It employed over 13,000 people in 2010 in its various retail activities. The attrition rate stood at 8.36 per cent as against a sector average of 20-25 per cent, attracting and retaining skilled workforce through various management and academic initiatives. The company offers post-graduate programme in Retail Management in association with premier institutes across the country.

- Navaras
- Food Bazaar
- Central
- Big Bazaar
- Pantaloons
- Depot
- Top 10
- Blue Sky
Pantaloon Retail has many firsts to its name in the Indian market, with discounted store formats like Brand Factory setting benchmarks for new players entering the market. Innovative store formats like Hometown- a one stop shop for all the home requirements; Sports Bar- a sports theme restaurant complete with game courts and screens for match viewing; Health City - a value segment targeted spa and beauty care venture, etc., are hitting the market, consolidating the market position of PRIL. The unique selling proposition of Pantaloon Retail is the dual approach to tap both the “Value” segment and “Lifestyle and Luxury” segment consumers, by establishing retail formats in each segment like Big Bazaar, Fashion Station etc.

Reliance Retail

With a vision to generate inclusive growth and prosperity for farmers, vendor partners, small shopkeepers and consumers, Reliance Retail Limited (RRL), a subsidiary of RIL, was set up to lead Reliance Group’s foray into organized retail. Since its inception in 2006, Reliance Retail Limited (RRL) has grown into an organization that caters to millions of customers, thousands of farmers and vendors. Based on its core growth strategy of backward integration, RRL has made rapid progress towards building an entire value chain starting from the farmers to the end consumers.

Reliance Retail continued to expand presence of its value and specialty formats. During the year, Reliance Retail opened 90 new stores spanning across 'value' and 'specialty' segments. In-store initiatives, wider product choice and value merchandising enabled the business to achieve robust growth during this period. Its presence in the optics business is in partnership
with Grand Vision. 51 new stores were added during FY-11 taking the total presence to 100 stores across key markets in the country. The retail chain offers single brand optical products including Vision Express frames, lenses, contact lenses, sunglasses, solutions and accessories.

For the very first time, consumers in India got the opportunity to experience Hamleys, which is considered to be the world's most wonderful toy shop. The brand was launched in India with opening up of 2 stores during the year.

iStore by Reliance Digital is a one-stop-shop for all Apple products and services. There are 17 such stores currently operational.

Reliance Brands also announced exclusive licensing arrangement with two leading international brands:

Steve Madden, a leading designer, wholesaler and retailer of fashion-forward footwear and accessories for women, men and children.

Quiksilver, a leading outdoor sports lifestyle company to launch their core brands 'Quiksilver' and 'Roxy'.

Across India, Reliance Retail serves over 2.5 million customers every week. Its loyalty programme, "Reliance One", has the patronage of more than 6.75 million customers.

Aditya Birla Retail

Aditya Birla Retail Limited is the retail arm of Aditya Birla Group, $40 billion corporation. The Company ventured into food and grocery retail sector in 2007 with the acquisition of a south based supermarket chain. Subsequently, Aditya Birla Retail Ltd. expanded its presence across the country under the brand "more" with 2 formats Supermarket and Hypermarket.

Supermarket

MORE. - Conveniently located in neighborhoods, MORE supermarkets cater to the daily, weekly and monthly shopping needs of consumers. The product
offerings include a wide range of fresh fruits and vegetables, groceries, personal care, home care, general merchandise and a basic range of apparels. Currently, there are over 496 more supermarkets across the country. **Hypermarket**

MORE.MEGASTORE - is a one-stop shopping destination for the entire family. Besides a large range of products across fruit and vegetables, groceries, FMCG products, more. Megastore also has a strong emphasis on general merchandise, apparels.

Currently, fourteen hypermarkets operate under the brand More.Megastore in Mysore; Vadodara; Indore; Mahadevpura, Old Madras Road, Bull Temple Road and 4th Block Jayangar in Bengaluru; Thane and Vashi in Mumbai; Saroor Nagar and Kukatpally in Hyderabad, Rohini and Kirti Nagar in New Delhi and Nashik. **Clubmore.** - Our loyalty program, currently has a strong membership base of over 3 million Clubmore Members. Aditya Birla Retail Limited currently has employee strength of around 9,000 people. Key functions are headed by professionals with vast retail experience in India and globally.

**Bharti Retail**

Bharti Retail, wholly-owned subsidiary of Bharti Enterprises, one of India’s leading business groups, believes organized retail has the potential to greatly contribute to India’s economic growth. Bharti Retail is committed to make a positive impact on the lives of its customers across India, within and outside the store. It also aims to provide employment to thousands of youth with diverse backgrounds. Driven by its mission to ‘Enable India, Live Better’, Bharti Retail’s goal is to establish a pan-India footprint and become the most-preferred retailer of India.

Bharti Retail operates neighborhoods stores called **easyday**, compact hypermarket stores called easyday Market and hyper market called easyday
Hyper. These stores provide consumers a wide assortment of quality products at everyday low prices.

**easyday stores** are one-stop shops that cater to every family’s day-to-day needs. They bring together wide range of relevant goods, high quality products and great in-store experience and service – all under one roof. The wide assortment of goods includes personal care products, stationery, household articles, hosiery items, as well as daily-need groceries, including staples, processed foods, bakery and dairy products, meat and poultry and fresh produce.

**easyday Market** provide customers the choice of 30,000 products across 250 categories that bring together a combination of the familiar and the innovative – all under one roof. Items range from apparels for men, women and kids, home furnishings, home ware, cosmetics, a wide range of kids’ toys, small appliances, mobile phones and stationery. These stores also have live bakery, meat, poultry and fish and offer fresh fruits and vegetables, grocery and general merchandise. **easyday Hyper offers** customers quality products at everyday low price, a great shopping experience and consistent availability, all under one roof. Spread over 60,000 sq ft, this easyday Hyper store offers over 475 new items across categories such as jams and spreads, religious needs, spices, flour, biscuits, namkeens, ethnic sweets, oils, ready to fry, chocolate and candy, frozen mutton, frozen vegetables and pickles. In addition, a wide assortment of 3D and LED televisions, refrigerators, washing machines, mobile phones, laptops, tablets and cameras is also available in this format.

easyday, easyday Markets and easyday Hyper promise “Sabse Kam Daam, Har Din” or everyday low prices offer for their extensive product mix.

Pan-India Footprint.

The first easyday store opened in Ludhiana and easyday market in Jalandhar in 2008. Presently, there are over 220 stores in cities across Punjab, Haryana, Uttar Pradesh, Uttarakhand, Madhya Pradesh, Rajasthan, Himachal Pradesh,
Chhattisgarh, New Delhi, Jammu and Kashmir, Maharashtra, Karnataka and Andhra Pradesh. The stores comprise over 190 easyday Supermarkets and about 23 easyday Market and easyday Hyper stores.

Bharti Wal-Mart

Bharti Walmart Private Limited is a joint venture between Bharti Enterprises, one of India's leading business groups with interests in telecom, agribusiness, insurance and retail, and Walmart, the world’s leading retailer, renowned for its efficiency and expertise in logistics, supply chain management and sourcing. The joint venture is establishing wholesale cash-and-carry stores and back-end supply chain management operations in line with Government of India guidelines. Under the agreement, Bharti and Walmart hold 50:50 stakes in Bharti Walmart Private Limited. The first Wholesale Cash-and-carry facility named "Best Price Modern Wholesale" Opened in Amritsar in May 2009 and subsequently in Zirakpur (Near Chandigarh), Jalandhar, Kota, Bhopal, Ludhiana, Raipur, Indore, Vijaywada, Meerut, Agra, Lucknow, Jammu, Guntur, Aurangabad, Bathinda, Amravati, Hyderabad and Rajahmundry.

DLF Shopping Malls

DLF Retail Developers Ltd. is one of the troikas of the DLF Group. Besides being India's largest real estate developer, DLF is also of the leaders in innovating shopping malls in India. It caught public eye when it launched the 2,50,000 sq ft. shopping mall in Gurgaon. It has brought a dramatic change in the lifestyles and entertainment with its City Centres and DT Cinemas. DLF has plans to invest Rs. 2000-3000 crore in all the emerging areas from metros to class cities in the next two years. Till last year the company was involved in building 18 malls out of which 10 were in the NCR region. Future plans of DLF involve opening up of 100 malls (specialty malls, big box retailing and
integrated malls) across 60 cities in next 8-10 years. They are slowly transforming into 'lease' and 'revenue share' models.

**Shopper’s Stop Limited**

Shoppers Stop, established in 1991 with its flagship store- Shoppers Stop by the K. Raheja Group, has now expanded to over 100 retail outlets spread across 1.1 million square feet of built-up area, spanning a spectrum of retailing verticals and formats. The group offers formats in the lifestyle and luxury segment, with the growing affluent middle class population as their target consumer base. The company clocked revenues of US$ 202 million in 2010, a 30 per cent increase from revenues of US$ 155 million in 2005-06. The operating income stood at US$ 16.7 million for 2010, 8 per cent of total revenues. Private labels account for more than 21 per cent of their retail revenues, with Shoppers Stop clocking impressive total number of transactions to customer footfalls ratio (conversion ratio) of 27 per cent. The firm employed 3,157 customer care associated in 2010. Strategic partnerships with international retailing players like Mothercare Plc of Britain and Leisure and Allied Industries of Australia, are aiding Shoppers Stop in catering to the niche markets. Aggressive expansion plans are being developed for formats like Timezone, a leisure and entertainment format venture and Brio the coffee bar located strategically in their Crossword bookstores. The Company signed the Memorandum of Understanding and Shareholders Agreement with The Nuance Group AG of Switzerland. The joint venture has been incorporated as the Nuance Group (India) Pvt. Ltd. for undertaking the operation and management of retail shops and food and beverage outlets in the duty free zones of Indian airports. Shoppers Stop and Hypercity Retail (India) Ltd. have jointly entered into an agreement with Home Retail Group Plc, United Kingdom, to develop the format of catalogue retailing in India under an exclusive franchise. The firm has forayed into the entertainment industry by acquiring 45 per cent stake in Timezone Entertainment Private Ltd. Which
has 5 outlets spread across 35,606 square feet at Mumbai, Ahmedabad, Kolkata and Hyderabad.

**Tata Trent Ltd.**
- Established in 1998
- Revenues: US$ 53 million
- Retail sector activity: Apparel, Specialty – books and music
- Current store format: Hypermarket, Supermarkets
- Future plan: New venture-Infiniti Retail Ltd.
- Manufacture private labels in apparels
- Principal fascia: Westside, Landmark, Star India Bazaar

**RPG Enterprises**
- Established retail in 1996
- Revenues: US$ 182 million
- Retail sector activity: Food and grocery, Beauty products, Specialty- music
- Current store format: Convenience stores, supermarkets, hypermarkets
- Current outlets: 279 outlets
- Music world has tie ups with 350 affiliates across the country.
- Future plan: by 2009 set-up 2000 stores in India
- Principal fascia: Spencer’s, Music World

**Landmark Group**
- Present in India since 1999
• Retail sector activity: Apparel, Home décor and Furnishing

• Current store format: Department stores, Hypermarkets

• Current outlets: Lifestyle-10 outlets, Max Retail-4 outlets

• Future plan: Presence in mini metros and Tier-II cities

• Principal fascia: Lifestyle, Home Centre, Max Retail

**Madura Garments**

• Established in 1988

• Part of the Aditya Birla Nuvo Group

• Retail sector activity: Apparel

• Principal fascia: Louis Philippe, Van Heusen, Allen Solly, SF jeans, Peter England

• Joint Venture with international brands: Esprit

• Current outlets: Planet Fashion-50 outlets, Trouser town-9 outlets

• Future plan: Projected to increase to 300 outlets by 2009 and diversify into the women’s wear segment

**Vivek Group**

• Established in 1965

• Revenues: US$ 91.5 million

• Retail sector activity: Food and Grocery, Beauty, Specialty-Electronics and Home appliances

• Current store format: Supermarkets, Hypermarkets
• Current outlets: Vivek-23 outlets, Jaisons-26 outlets, Premier-3 outlets

• Future plan: Set up 60 stores in South India

• Principal fascia: Viveks, Jaisons, Premier, Globus

• Established in 1998

• Retail sector activity: Apparel

• Current store format: Stand alone stores

• Current outlets: 21

• Future plan: To set up 100 stores by 2008

• Manufacture private labels under Globus and F21

• Principal fascia: Globus

Subhiksha Trading Services

• Established in 1997

• Turnover of US$ 75.6 million

• Retail sector activity: Food, Medicines

• Current store format: Supermarkets

• Current outlets: 150 outlets

• Future plan: To set up 600 stores with 145 stores in NCR region

• Principal fascia: Subhiksha

Nilgiris Ltd.

• Established in 1904

• Revenues: US$ 30.5 million

• Retail sector activity: Food and grocery, Specialty- Bakery products
• Current store format: Supermarkets
• Future plan: To increase stores to 100
• Principal fascia: Nilgiris

Trinethra Super Retail Ltd.
• Established in 1986 (Taken over by Aditya Birla Nuvo Group in 2006)
• Revenues: US$ 58.5 million
• Retail sector activity: Food and Grocery, Beauty products
• Current store format: Convenience stores, Supermarkets, Hypermarkets
• Current outlets: 150 outlets
• Future plan: To enter into Pharmacies, Apparel, Footwear
• Principal fascia: Trinethra Super Retail LTD., Trinethra Quick Shop

Provogue Ltd.
• Established in 1997
• Revenues: US$ 38.1 million
• Retail sector activity: Apparel, Footwear
• Current store format: Stand alone stores
• Current outlets: 139 outlets
• Future plan: To manage and develop malls
• Principal fascia: Provogue, Prozone

Bata India Ltd.
• Present since 1931
• Revenues: US$ 179.8 million
• Retail sector activity: Footwear and Accessories
• Current store format: stand alone stores
• Current outlets: 1100 outlets
• Future plan: To remodel 150 stores and open 40 more stores
• Principal fascia: Bata

Archies Ltd
• Present since 1979
• Revenues: US$ 20.8 million
• Retail sector activity: Specialty-cards and gifts
• Current store format: Stand alone stores
• Future plan: To increase from 73 stores to 200 by 2008
• Principal fascia: Archies, Stupid Cupid

4.6.1 Players across verticals

Food and Grocery
• Hindustan Unilever Limited
• BJN Group
• Magna
• Café Coffee Day
• Barista
• Apna Bazaar
• Spar
• ITC
• Aditya Birla Group
• NF
• FabMall
• Godrej
• Mc Donald’s

**Clothing and Textiles**

• FabIndia
• Biba
• Pyramid
• Lee
• Levi’s
• Ebony
• Pepe Jeans
• Raymonds
• Kappa
• Mango
• Lee Cooper
• Nalli
• Peter England

Jewellery and Watches
• Tissot
• Gili
• Tanishq
• Kiah
• Carbon
• JBL

Footwear
• Reebok
• Liberty
• New Balance
• UMBRO
• Adidas
• Woodland
• Paragon
Home Decor and Furnishings

- Raymond
- Lifestyle
- Durian
- Bombay Dyeing
- Nilkamal
- Gautier
- Pantaloon
- Carmicheal house

Electronics

- Croma
- Onida
- Videocon
- Whirlpool
- LG
- BPL
- Philips
- Next
- Samsung Electronics
• Godrej

**Beauty Care**

• L’orreal

• Amway

• Revlon

• Health Glow

• Biotiue

• Maybelline

• Lakme

• Himalaya

**Books and Music**

• Depot

• Music World

• Crossword

• Hallmark

• Planet M
4.6.2 International retailers

International retailers are fast expanding their business in India to tap the large consumer base. Reebok has set up its largest store in the world in Hyderabad, Tommy Hilfiger and Levis have over 20,000 square feet of retail space and standalone stores across major metros. The fast-food giants like Pizza Hut, McDonalds, Subway etc. are expanding at a fast pace, with these emerging Tier II and Tier III cities

**International retailing brands in India**

- Nine West
- United Colors of Benetton
- Adidas
- Mango
- Pizza
- Marcoricci Italy
- Red Earth
- Nike
- TGI Friday’s
- Mc Donalds
- Samsonite
- Promod
- Lasenza
• KFC
• Reebok
• Marrybrown
• Movenopick
• Giordan
• Levi’s
• Arrow
• Lacoste
• Subway
• Ruby Tuesday
• Pepe Jeans
• Tissot
• Wrangler
• Marks and Spencer
• Landmark Group
• Metro
• Debenhams
• Planet Sports
• Royal Sporting House
4.7 Regulatory Framework for Entry of foreign Players.

The Indian government allowed 51% FDI in Multi Brand Retail. FDI in Single Brand Retail was already allowed, but that too with some condition, including 30% local procurement. There had been no specific restrictions on the entry of foreign retailers into the Indian market till 1996. A few foreign players were granted permission for retailing under this earlier regime. However, in 1997, it was decided to prohibit FDI in retailing into the country. In January 2006, however, a partial liberalization took place in policy in which foreign companies are allowed to own up to 51 percent in single-brand retail JVs as approved by the Foreign Investment Promotion Board (FIPB). Besides this, foreign companies are allowed in wholesale cash-and-carry business and export trading with 100 percent equity through the automatic route. Foreign companies with 100 percent equity can also carry out trading of items sourced from the small-scale sector and do test marketing of products for which the company has a manufacturing approval under the FIPB route. With regard to domestic regulation, the organized retailer has to secure a number of licenses and clearances from various central, state, and local authorities before it starts its operations. They are related to operations, infrastructure, labour, taxation and other general matters. The number of licenses varies from state to state and it also depends on the type of store format. First, a retailer has to obtain a trade license from the local authority (municipal corporation, municipality, or panchayat) which grants permission to carry on the retail business. It has also to obtain licenses from the Agricultural Produce Marketing Committees (APMCs) of each state for procurement and sale of fruit, vegetables, and
staples within the respective market areas (mandis) of each APMC. In addition, in case a new building or mall is to be constructed for use in retailing, the organized retailer has to obtain “no objection certificates” (NOCs) from the different state authorities in charge of traffic, electricity, water, fire and pollution control. Zoning restrictions are also applicable to the organized retail outlets which can be set up only on land earmarked for the local authority for commercial establishments.

Following table presents regulatory framework for Entry of foreign player during 2001-2010, **before the 07th Dec 2012**:

**Table No. 4.2 Regulatory Framework for Entry of Foreign Players**

<table>
<thead>
<tr>
<th>Channel</th>
<th>Entry Rout</th>
<th>Companies Who Have Entered India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchise Agreements</td>
<td>Foreign company gives name and technology to local partner and earns royalty on sales made. Master franchise appointed for region or country, has right to appoint local franchisees. Fast Food retailers like Domino’s have entered India through the master franchise route, while Pizza Hut has entered India through a regional franchisee</td>
<td>Domino’s, Adidas, Marks and Spencer, Pizza Hut, The Medicine Shoppe, McDonald’s, Nike, Tommy Hilfiger</td>
</tr>
<tr>
<td>Single Brand Retailing</td>
<td>In 2001-2010 before 07th Dec 2012: Since January 2006, FDI up to 51% with prior</td>
<td>Nike, Reebok, Nokia, LVMH</td>
</tr>
</tbody>
</table>
government approval for retail trade in “Single Brand” Product.

Foreigner companies can now sell globally sold goods under a single brand, such as Reebok and Adidas.

Retailing of goods of multiple brands, even if the goods are produced by the same manufacturer, is not allowed.

| Cash and Carry Wholesale Trading | 100% FDI is now allowed in wholesale cash and carry trading on automatic basis. This gives greater flexibility to foreign retailers, and the business model is built in a way in which wholesaler deals only with smaller retailers and not consumers. Foreign retailers can produce goods locally/import | Metro, Shop Rite |
| Manufacturing | This route involves the foreign company entering into a licensing agreement with a domestic partner/retailer. | Coca-Cola, Toyota, Bata |
| Distribution | This route involve the foreign company setting up a local distributor office, supplying products to Indian retailers and also setting up franchised outlet for the brand | Swarovski, Hugo Boss |

The world's largest retailer by sales, Wal-Mart Stores Inc and Sunil Mittal's Bharti Enterprises have entered into a joint venture agreement and they are
planning to open 10 to 15 cash-and-carry facilities over seven years. The first of the stores, which will sell groceries, consumer appliances and fruits and vegetables to retailers and small businesses, is slated to open in north India by the end of 2008.

Carrefour, the world’s second largest retailer by sales, is planning to setup two business entities in the country one for its cash-and-carry business and the other a master franchisee which will lend its banner, technical services and know how to an Indian company for direct-to-consumer retail.

The world’s fifth largest retailer by sales, Costco Wholesale Corp (Costco) known for its warehouse club model is also interested in coming to India and waiting for the right opportunity.

Opposition to the retailers’ plans have argued that livelihoods of small scale and rural vendors would be threatened. However, studies have found that only a limited number of small vendors will be affected and that the benefits of market expansion far outweigh the impact of the new stores. Tesco Plc. plans to set up shop in India with a wholesale cash-and-carry business and will help Indian conglomerate Tata group to grow its hypermarket business.

4.8 Organized Retail Investment

Until a couple of years ago, the Indian organized retail market was either dominated by the apparel brands or regional retail chains. However, the scenario has changed dramatically. The sector has attracted not only the large Indian corporate but also received the attention of large global players.

As per Technopak Advisers Pvt. Ltd. estimates, investments amounting to approximately US$ 35 billion are being planned for the next five years. Of this, about 70 per cent is expected to come from top seven players including Reliance Industries, Aditya Birla Group, Bharti-Wal-Mart, Future Group and others. Also, it is estimated that about 40 per cent of the total investments will be contributed by foreign players including Wal-Mart, Metro, Auchan,
Tesco and many others, signifying the importance that the international community is attaching to the Indian retail opportunity. In short, India is attempting to do in 10 years what took 25–30 years in other major markets in the world and shall bypass many stages of “evolution” of modern retail. India is likely to see the emergence of several “innovative” India-specific retail business models and retail formats during the coming years\textsuperscript{15}.

4.9 Employment in Organized Retail Sector

Retail is a labour-intensive economic activity. According to the Economic Census carried out by the CSO in 1998, the country had a total of 10.69 million enterprises engaged in retail trade, of which 5.23 million were in the rural areas and 5.46 million in the urban areas. The total employment in these enterprises in 1998 was 18.54 million of which 7.88 million was in the rural sector and 10.65 million in the urban sector.

According to NSSO’s Employment and Unemployment Survey for 2004-05, employment in the retail trade has been 35.06 million, divided between rural (16.08 million) and urban (18.98 million) sectors.\textsuperscript{4} This constituted about 7.3 per cent of the workforce in the country (459 million). Wholesale trade, on the other hand, contributed to an employment of 5.48 million, of which only 1.71 million was in the rural sector and 3.77 million in the urban sector.

The NSSO data also indicated that retail employment was about 30.62 million in 1999-00 with 12.15 million in rural areas and much higher at 18.47 million in the urban areas. This means that an additional employment of 4.44 million was added in this sector during the five-year period, 2000-05, showing an annual employment growth of 2.7 per cent per annum. However, it is interesting to note that the retail employment growth has been quite large in the rural sector – there has been a massive rise in employment in rural retailing of 3.93 million during 2000-05 – and the urban sector has also shown an employment growth, but only of 0.51 million during this period.
According to CSO estimates, total domestic trade, both wholesale and retail included, constituted about 15.1 per cent of India’s GDP in 2006-07, a successive increase in share from 13 per cent of GDP in 1999-00. Taking into account the fact that retail trade is more labour intensive than wholesale trade, the contribution of retail trade alone to GDP can be estimated to be around 11-12 per cent in 2006-07. As per the industry estimates of employment of one person per 350-400 sq. ft. of retail space, about 1.5 million jobs will be created in the front-end alone in the next five years. Assuming that 10 per cent extra people are required for the back-end, the direct employment generated by the organized retail sector in India over the coming five years will be close to 1.7 million jobs. This constitutes nearly 5 per cent of the existing employment of about 37 million in the retail industry. Indirect employment generated on the supply chain to feed this retail business will add further to this already high number. While a boon for the Indian economy in terms of the employment generation, at the same time it is a significant challenge for the organized retail industry to gain access to such a high number of trained manpower in such a short period of time\textsuperscript{16}.

Following table no 4.3 presents the employee generation status during 2007-11 in organized retail sector.

<table>
<thead>
<tr>
<th>Table No. 4.3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employment Generation by Organized Retail Sector during 2007-11</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Hypermarket</th>
<th>Supermarket</th>
<th>Cash &amp; Carry</th>
<th>Specialty &amp; Departmental</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Retail Space (Million Sq.Ft.)</td>
<td>218</td>
<td>86</td>
<td>76</td>
<td>107</td>
<td>487</td>
</tr>
<tr>
<td>Retail Space per floor staff (sq. ft.)</td>
<td>350</td>
<td>200</td>
<td>450</td>
<td>350</td>
<td>1350</td>
</tr>
<tr>
<td>No. of front-end staff ('000)</td>
<td>623</td>
<td>430</td>
<td>169</td>
<td>306</td>
<td>1577</td>
</tr>
<tr>
<td>No. of back-end staff ('000)</td>
<td>62</td>
<td>43</td>
<td>17</td>
<td>31</td>
<td>153</td>
</tr>
<tr>
<td>Total Manpower ('000)</td>
<td>685</td>
<td>473</td>
<td>186</td>
<td>336</td>
<td>1680</td>
</tr>
</tbody>
</table>

(Source: Technopak Analysis and Industry Estimates)
Major proportion of the employment in the retail sector is in front-end/retail assistant profiles in stores. Store operations account for 75%-80% of the total manpower employed in the Organized Retail sector. The function/activity-wise distribution will vary based on the format of the stores (Departmental store, Hypermarket etc.) as well as other factors like Single/Chain stores, type of products etc. Also, stand alone/small retailers may not have explicit demarcation of functions for merchandising, or marketing. There are very few courses which are specific to retail, graduates/post graduates from other streams are recruited. Persons with education up to 12th Standard and 10th Standard account for 55% of the workforce. The education profile of the human resource will vary for retailers in small cities and rural areas where X/XII pass people account for a higher share of the workforce. Organized Retail has been more of an urban phenomenon till recently, but this is rapidly changing. The eight ‘Megacities’ that apart from large population also have large consumer markets are Mumbai, Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Ahmedabad, and Pune. Organized Retail has spread to the seven ‘Boomtowns’ that have a large population and high expenditure per household, namely, Surat, Kanpur, Jaipur, Lucknow, Nagpur, Bhopal and Coimbatore. It has also spread to the five ‘Niche’ cities that are relatively smaller in population but have above national average household spend, namely, Faridabad, Amritsar, Ludhiana, Chandigarh and Jalandhar. Tier I cities account for a major portion of the malls - a scenario that is not likely to change drastically over the next few years at least. It is estimated that by the year 2011, the tier I cities will continue to hold a majority share, with the tier II and III cities inching a notch up in terms of supply.
4.10 Drivers of Organized Retail Sector:

Demographic dividend:
In India, the “demographic dividend” which manifests in the proportion of working age group of 15-64 years will be increasing steadily from 62.9% in 2006 to 68.4% in 2013. The age group of 15-40, which is the target segment for most of the marketers, accounted for 61% of the 46 crore economically active population in 2013. The young demography has in turn aided the demand of aspiration and lifestyle products.

Rising consumption expenditure and disposable income:
The PFCE on food, beverages and tobacco continued to be the largest chunk of household budgets, at about 42%, in recent years, PFCE on durables (under the category furniture, appliances and services) increased its share from 3.3% to 4% in the eight-year period ended March 2008. During the same period, transportation and communication expenditure grew from 13.1% to 17% of the total and hotel expenditure from 1.8% to 2.8%. The Fastest growing components of household spending are in the service sector, such healthcare, communication and education.

Increasing participation of women in workforce:
Share of women in employment out of the total employment has been showing an increasing trend over the years in the changing mindset and increasing education level among women. This has resulted in women having more impact on the purchasing decision of household product as well as rising demand of products like apparel, footwear, eyewear, jewellery, etc. It has also led to increased disposable household incomes for working couples and lifestyle change. Women have less time o spend on household chores which has led to increased demand of household durable and out of home food service.
More choice available to the customer:

The choice available to the customer has increased manifold on account of advances in technology, increased competition and availability of number of India and global brands in the market. The effect of technology is very much at play in case of mobile phones and consumer electronics. Technological advances have led to fall in price which have made certain products more affordable. This has also led to a shift in attitude towards certain products, from “luxury” to being a “necessity”(like mobile phones and air conditioners).

The strong economic growth and huge untapped markets have resulted in global brands making beeline for India which has benefited the Organized Retail Industry. Segments such as clothing, jewellery, watches, and eyewear have been significantly aided by this phenomenon.

The availability of right kind of retail ambience in form mall and hypermarkets have also aided the industry as it provides the customers with world class shopping experience which was drastically different from the traditional retail formats.

Penetration of credit/ debit cards:

There are about 20 million credit and debit cards users in India the number continues to multiply. Credit/debit cards have significantly impacted the spending patterns of customers. Credit cards play a significant role in impulse purchases and also provide the customer with a convenient way of transaction.

Urbanization:

The top 20 Indian cities, which though accounting for only 10% of the country’s population, generate as much as 60% of its surplus income and 31% of its disposable income. These 20 large cities, which accounted for nearly US $100-billion of consumption expenditure in 2007-08, are
categorized in three groups: Megacities (8), Boomtows (7), and Niche Cities (5). These 20 cities, for the next eight years (2008-2016), will grow at a healthy rate of 10.1% per annum, compared to other cities growing at 7.9% per annum. In the past three years (2005-08), the top 20 have registered a growth of 11.2% per annum. The increase in income levels will also have a direct impact on income profiles of households. In the next eight years - by 2016, while, the share of middle-income households ($6,000 to $30,000 per annum) in these twenty cities will increase from current 39% to 55%, the share of high-income households (more than $30,000 per annum) will increase three-fold to 13%. The changing household demographics will no doubt bring about a major shift in demand pattern of different classes of goods. There is a 52% increase in spending as households graduate from low income to middle class segment. The demand for the durables, for example, may go up by a substantial 84%.

4.11 Key Success Factors of Organized Retail Sector

Efficient Supply Chains:
Highly fragmented supply chains coupled with infrastructure issues and the vast geographical spread of the Indian market pose huge challenges to the retailers. Indian retailers have to enhance their supply chains to succeed in the cost conscious market. Segments such as food and grocery have to cope with very highly unorganized supply chains. Also, the rising customer expectations would necessitate supply chains with quick reaction times.

Ability to penetrate rural market
The urban area has been the focus of Organized Retail which has led to increased competition. Rural India is home to 72 crore consumers across 6 lack villages. 17% of these villages account for 50% of the rural population as well as 60% of rural wealth. Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloons-Godrej JV), Choupal Sagar (ITC), Kisan Sansars (Tata), Reliance
Fresh, and others such as the Naya Yug Bazaar have already ventured into the retail market.

**Leveraging Technology:**
The Organized Retails have to leverage IT and technology to sustain business growth through innovation and differentiation. A numbers of retail players like DLF Retail, Khadims, Diamexon Diamonds have expanded their SAP footprints\(^1\) to simplify business processes, reduce costs and adapt to the changing industry landscape. GPS and RFID technology can help in logistics and inventory management.

**Customized solutions**
The Indian retail market is very heterogeneous in nature. The dynamics for various segments change with the geography and other cultural factors. The challenge for the retailer is to keep this heterogeneous nature of the target market in mind and to balance it with other issues like economies of scale.

**Investing in retail brand (store brand)**
A strong retail brand is a critical success factor. The retailers should invest in brand building activities which would help them in attracting new customers as well as retaining the existing ones. The strong retail brand will allow the retailers to push through “private labels “which would strengthen their bottom line.

**Customer Relationship Management (CRM)**
The retailers have to come up with innovative CRM activities to retain their customer base and to add on to their brand value. CRM activities like loyalty programs have been received well by the customers in the past\(^1\)\(^9\).

### 4.12 Challenges for Retail Sector
To become a truly flourishing industry, retailing needs to cross the following hurdles:

- Automatic approval is not allowed for foreign investment in retail.
- Regulations restricting real estate purchases, and local laws.
- Taxation, which favours small retail businesses.
- Absence of developed supply chain and integrated IT management.
- Lack of trained work force.
- Low skill level for retailing management.
- Lack of Retailing Courses and study options
- Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.
- One very important measure to overcome some of the challenges faced by retail, is for companies to invest heavily in training and recruitment, using up to date cost efficient services. One of the leading retail training companies in India is Metamorph Learning Pvt. Ltd, a Bangalore-headquartered, pan-India company which specialises in e-learning, content development as well as blended training (classroom+virtual training) to cater to retail and other companies across India.

Also, the country is developing a support infrastructure in form of specialized retail schools. One such skill development initiative has been taken by TKWs Group. Its TKWs Retail School has already training over a thousand students and retail professionals for different retail skills. TKWs Retail School is also associated with government projects like enhancing retail experience of foreign tourists, improving retail of handicraft and local produce, skill development of village youth.

4.13 Opportunity for Retail Sector:
Favorable demographic and psychographic changes relating to India’s consumer class, international exposure, availability of quality retail space, wider availability of products and brand communication are some of the factors that are driving the retail in India. Over the last few years, many international retailers have entered the Indian market on the strength of rising
affluence levels of the young Indian population along with the heightened awareness of global brands, international shopping experiences and the increased availability of retail real estate space. Development of India as a sourcing hub shall further make India as an attractive retail opportunity for the global retailers. Retailers like Wal-Mart, GAP, Tesco, JC Penney, HandM, Karstadt-Quelle, Sears (Kmart), etc stepping up their sourcing requirements from India and moving from third-party buying offices to establishing their own wholly owned / wholly managed sourcing and buying offices shall further make India an attractive retail opportunity for the global players. Manufacturers in industries such as FMCG, consumer durables, paints etc are waking up to the growing clout of the retailers as a shift in bargaining power from the former to the latter becomes more discernible. Already, a number of manufacturers in India, in line with trends in developed markets, have set up dedicated units to service the retail channel. Also, instead of viewing retailers with suspicion, or as a ‘necessary evil’ as was the case earlier, manufacturers are beginning to acknowledge them as channel members to be partnered with for providing solutions to the end-consumer more effectively. Though lucrative opportunities exist across product categories, food and grocery, nevertheless, presents the most significant potential in the Indian context as consumer spending is highest on food. Further, ‘wet groceries’ i.e. fresh fruits and vegetables is the most promising segment within food and grocery though initially all retailers foraying in to this segment had to face wide spread protest from traders, small shop keepers. The next level of opportunities in terms of product retail expansion lies in categories such as apparel, jewellery and accessories, consumer durables, catering services and home improvement. These sectors have already witnessed the emergence of organized formats though more players are expected to join the band. Some of the niche categories like Leisure and
entertainment (Books, Music and Gifts in particular) offer interesting opportunities for the retail players. Currently the fashion sector in India commands a lion’s share in the organized retail pie. This is in line with the retail evolution in other parts of the world, where fashion led the retail development in the early stages of evolution and was followed by other categories like Food and Grocery, Durables etc. Fashion across lifestyle categories makes up for over 50 per cent of organized retail and with the kind of retail space growth that India is witnessing we can certainly foresee a very healthy prospect for the fashion industry. As nations become richer, their people start appreciating luxury goods and fine dining. India has over one million such people and this number reached to triple by 2010. A recent report divides consumers for luxury goods into four categories – luxuriated: source of affluence is largely traditional and inherited; New rich: adequate spending power and are acquiring orientation to luxury; Getting there: acquiring spending power and spend mainly on education, housing and large automobiles; Mid-affluent: are also acquiring orientation to luxury but unlikely to indulge beyond a limit 20. The most important categories for luxury goods consumers are housing, travel, education, higher end automobiles, electronics and other home improvement products besides fashion, lifestyle and fine dining. The most important reason for luxury retail not taking off in India so far has been the lack of luxury retail environment. The presence has been primarily confined to luxury hotels’ with shopping plazas.

4.14 Conclusion:
AT Kearney’s survey on global retailing trends found that India is the least competitive as well as least saturated of all major global market. This implies that there are significantly low entry barriers for players trying to setup base in India, in terms of the competitive landscape. The Global retailer such as Wal-Mart, Carrefour, Tesco and Casino would take advantage of the more
favorable FDI rules that are likely in India and enter the country through partnership with local retailers. Other retailers such a Marks and Spencer and the Benetton Group, who operate through a franchisee model, would most likely switch to a hybrid ownership structure.

According to industry players, A good talent pool, unlimited opportunity, huge markets and availability of quality raw material at cheaper costs is expected to make India overtake the world’s best retail economics.

According to experts, the retail industry in India will be a major employment generator in the future. Currently, the market share of organized modern retail is just over 7 percent of the total retail industry, thereby leaving a huge untapped opportunity. The sector is expected to see an investment of over $30 billion within the next 4-4 years, catapulting modern retail in the country to $175-200 billion by 2016, according to Technopak estimates. On the total organized retail market of Rs 550 billion, the business of fashion accounts for Rs 300.80 billion, which translate into nearly 55 percent of the organized segment in the country.

The events of the last 15-18 months have provided a steep learning for the retail and consumer product industry. While the last decade (2001-2010) has seen significant addition to consumption and retail market, it is expected that consumption is likely to double in India over the next 5 years, (nominal growth of Rs 33.75 lakh crore). There is going to be significant changes in the overall consumption basket hence brands in low involvement categories would be under the increasing threat of commoditization. Profitable growth would be the emphasis for retailers and investors in the time to come. We expect that in the next 5-10 years, the scale of business opportunity and pace of change would be fundamentally different from what it has been in the past. This calls for almost every company to go back to the strategy drawing board and develop a vision for the next decade in order to emerge as a successful player in the consumer and retail sector.
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