

**Detailed summary for Media
India Retail Report 2009
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**THE INDIA RETAIL STORY
India Retail Report 2009 © IMAGES F&R Research
Detailed summary for Media**

Liberalization of the Indian economy and rationalisation of business procedures have already ensured a high economic growth with a rapidly expanding base for the manufacturing and hi-end services sectors. Fresh avenues for gainful employment to a predominantly young and talented population have created high disposable incomes that translate in to higher consumption and thus better opportunities for all verticals of Retail to flourish.

Slowdown in Indian Economy – myth or reality for retail players?

The current slow down in the Indian economy notwithstanding, the retail segment in the country seems to be in for a big time expansion led by most major Indian business majors and global players. Even though the CB Richard Ellis report released in April 2008, placed India at a dismal number 44 in the list of preferred destinations for global retailers looking to expand, fresh announcements in the media belie this fact. However, going through these years of learning nearly all stake holders in the industry are re-considering their retail plans. A need for consolidation in retail business is evident and to give it effect many have hit the drawing boards again – not necessarily means that there is any down turn in the industry. In spite of the fast track growth of the retail industry, India is still undergoing through the initial development phase of modern retail.

Private Consumption & Retail

The country's dynamic retail landscape presents a grand opportunity to investors from across the globe, to use India as a strategic business hub. With the changing face of retail, the Indian consumer is in for a rapid transformation. With retail spending growing at double digit, Private Final Consumption Expenditure (PFCE) at current prices was estimated at Rs. 26,07,584 crore in 2007-08 as against Rs. 23,12,105 crore in 2006-07.

INDIA RETAIL MARKET (at prevailing market prices)						
Retail Segments	INDIAN RETAIL MARKET (Rs. Crore)			ORGANISED RETAIL (Rs. Crore)		
	2006	2007	Growth 2007 > 2006 (%)	2006	2007	Growth 2007 > 2006 (%)
Clothing, Textiles & Fashion Accessories	113,500	131,300	15.7	21,400	29,800	39.3
Jewellery	60,200	69,400	15.3	1,680	2,300	36.9
Watches	3,950	4,400	11.4	1,800	2,150	19.4
Footwear	13,750	16,000	16.4	5,200	7,750	49.0
Health & Beauty Care Services	3,800	4,600	21.1	400	660	65.0
Pharmaceuticals	42,200	48,800	15.6	1,100	1,540	40.0
Consumer Durables, Home Appliances/equipments	48,100	57,500	19.5	5,000	7,100	42.0
Mobile handsets. Accessories & Services	21,650	27,200	25.6	1,740	2,700	55.2
Furnishings, Utensils, Furniture-Home & Office	40,650	45,500	11.9	3,700	5,000	35.1
Food & Grocery	743,900	792,000	6.5	5,800	9,000	55.2
Out-of-Home Food (Catering) Services	57,000	71,300	25.1	3,940	5,700	44.7
Books, Music & Gifts	13,300	16,400	23.3	1,680	2,200	30.9
Entertainment	38,000	45,600	20.0	1,560	2,400	53.8
TOTAL	1,200,000	1,330,000	10.8	55,000	78,300	42.4

As per the Images F&R Research estimates for India Retail Report the Indian Retail market stood at Rs.1,330,000 crore in 2007 with annual growth of about 10.8 per cent. Of this, the share of organised Retail in 2007 was estimated to be only 5.9 per cent, which was Rs.78,300 crore. **But this modern retail segment grew at the rate of 42.4 per cent in 2007, and is expected to maintain a faster growth rate over the next three years, especially in view of the fact that major global players and Indian corporate houses are seen entering the fray in a big way. Even at the going rate, organised retail is expected to touch Rs.2,30,000 cr (at constant prices) by 2010, constituting roughly 13 per cent of the total retail market.**

The consumer spending is ultimately pushing the economy into a growth-and-liberalisation mode. The Indian market is becoming bolder by the day, with the economy now expected to maintain its growth at over 8-9 per cent and average salaries being hiked by about 15 per cent, there will be lot more consumption.

A short recount of the factors that have earned India the top spot among the favoured retail destinations:

HEALTHY INVESTMENT CLIMATE

A 'Vibrant Economy', India topped A T Kearney's list of emerging markets for retail investments for three consecutive years and stood 2nd only behind Vietnam this year. The 2nd fastest growing economy in the world, the 3rd largest economy in terms of GDP in the next 5 years and the 4th largest economy in PPP terms after USA, China & Japan, India is rated among the top 10 FDI destinations.

Barring recent political disturbances, India has been sailing smooth with 2nd stage reforms in place, India can be reasonably proud of having put in place some of the most widely accepted Corporate Ethics (Labour Laws, Child Labour Regulations, Environmental Protection Lobby, Intellectual Property Rights, and Social Responsibility) and major tax reforms including implementation of VAT, all of which make India a perfect destination for business expansion.

In terms of international tourist spending, India is the fastest-growing market in Asia Pacific, according to the Visa Asia Pacific release. The economy has been growing at about 9 per cent a year, which shows that India's growth rate can actually exceed that of China by 2015. The Indian economy is expected to grow larger than Britain's by 2022 and Japan's by 2032, to become the third-largest economy in the world after China and US, and finally become the second largest economy after China by 2050, so the global economic forecasts say.

A report by investment banker Goldman Sachs, credits India with the potential to deliver the fastest growth over the next 50 years with an average rate of more than five per cent a year for the entire period. All these are clear portends in terms of investments and returns. Total FDI (foreign direct investment) inflow in 2007-08, was to the tune of USD25 billion – up 56% over previous year - with investments in infrastructure development and capital market continuing to flow in at a rapid pace.

To sustain an ambitious GDP growth target of nine per cent per annum, India needs to invest around USD 500 billion in development of Infrastructure over the next five years. Of this, about USD150 billion is expected to come from foreign investment. Indian retail industry itself has attracted total investment of over Rs.20,000 crore in creating infrastructure, systems & shop-fit.

At the heart of the India growth story is its population, the generators of wealth, both as producers and consumers. With the largest young population in the world - over 890 million people below 45 years of age, India indeed makes a resplendent market. The country has more English speaking people than in the whole of Europe taken together. Its 300 million odd middle class, the "Real" consumers, has attracted the attention of the world, and as the economy grows so does India's middle class. It is estimated that 70 million Indians earn a salary of over USD 19,500 a year, a figure that is set to rise to 140 million by 2011. The number of effective consumers is expected to swell to over 600 million by this time – sufficient to establish India as one of the largest consumer markets of the world.

India's consumers are in a metamorphosis. As spending powers and habits change in India these voices are becoming more defined, more demanding and more adventurous. The retail boom in India is driving three categories of retail product investment, namely consumer brands, retail formats and shopping centers. Each of these product categories is undergoing massive attention.

THE RETAIL REVOLUTION

In this land of 15 million retailers, most of them owning small mom and pop outlets, we also have a modern retail flourishing like never before. There is little room for conflict as evidenced from the fact that India presents a unique case of consumption-driven economy: while the US reels under recession, where supply clearly outstrips demand, India confronts inflation, where Industry and retailers are as yet unable to provide what the consumer demands.

Over the last few years Indian retail has witnessed rapid transformation in many areas of the business by setting scalable and profitable retail models across categories. Indian consumers are rapidly evolving and accepting modern retail formats. New and indigenised formats such as departmental stores, hypermarkets, supermarkets, speciality and convenience stores, and malls, multiplexes and fun zones are fast dotting the retail landscape.

THE INDIAN RETAIL MARKET SEGMENTS

The Indian retail market has been gaining strength, riding on the sound vibes generated by a robust economy that has given more disposable incomes in the hand of the consumer who will keep demanding better products and services, and a better shopping environment.

SHARE OF ORGANISED RETAIL TO TOTAL MARKET				
Retail Segments	% Organised			
	2004	2005	2006	2007
Clothing, Textiles & Fashion Accessories	13.6%	15.8%	18.9%	22.7%
Jewellery	2.0%	2.3%	2.8%	3.3%
Watches	39.6%	43.5%	45.6%	48.9%
Footwear	25.0%	30.3%	37.8%	48.4%
Health & Beauty Care Services	6.0%	7.6%	10.6%	14.3%
Pharmaceuticals	1.8%	2.2%	2.6%	3.2%
Consumer Durables, Home Appliances/equipments	7.8%	8.8%	10.4%	12.3%
Mobile handsets. Accessories & Services	6.5%	7.0%	8.0%	9.9%
Furnishings, Utensils, Furniture-Home & Office	6.7%	7.6%	9.1%	11.0%
Food & Grocery	0.5%	0.6%	0.8%	1.1%
Out-of-Home Food (Catering) Services	5.7%	5.8%	6.9%	8.0%
Books, Music & Gifts	9.8%	11.7%	12.6%	13.4%
Entertainment	2.6%	3.3%	4.1%	5.3%
TOTAL	3.0%	3.6%	4.6%	5.9%
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In the overall Retail pie Food and Grocery was the dominant category with 59.5 per cent share, valued at Rs.792,000 crore, followed by Clothing and Accessories with a 9.9 per cent share at Rs.131,300 crore. Interestingly, out-of-home food (catering) services (Rs.71,300 crore) has overtaken Jewellery (Rs.69,400 crore) to become the third largest retail category, with a 5.4 per cent market share – this largely reflects the massive employment opportunities to youngsters in the services sector and accompanying changes in consumer lifestyles.

Consumer durables (Rs.57,500 crore) is the fifth largest retail category followed by Health & Pharmaceuticals (Rs.48,800 crore), Entertainment (Rs.45,600 crore), Furniture, Furnishings & Kitchenware (Rs.45,500 crore), Mobiles & Accessories (Rs.27,200 crore), Leisure retail (Rs.16,400 crore), Footwear (Rs.16,000 crore), Health & Beauty Care services (Rs.4,600 crore) and Watches & Eyewear (Rs.4,400 crore) in the order.

In the Organised retail segment, the picture is different altogether. Clothing & Fashion Accessories is the largest category with 38.1 per cent of the market share, valued at Rs.29,800 crore, followed by Food & Grocery accounting for 11.5 per cent of the organised retail market at Rs.9,000 crore, Footwear with 9.9 per cent of the organised retail market share at Rs.7,750 crore, Consumer Durables with 9.1 per cent market share at the fourth place (Rs.7,100 crore), and Out-of-home food (catering) services and Furniture, Furnishings & Kitchenware retail in the order.

The mobile & accessories retail market has shown fastest growth in 2007 (25.6%) over the previous year, the other two prominent categories being out-of-home food (catering) services where growth was 25.1 per cent and books, music & gifts leisure category which achieved 23.3 per cent growth.

India's biggest USP and asset base is its youthful population, whose appetite for leisure and entertainment is galloping at 14 per cent p.a. With the rapid addition of malls with multiplexes there is a coming together of leisure retail, cinema and gaming. It is indeed difficult to analyze each of these components in isolation. All players are after all trying to get to capture a share of consumer's mind – his time and money. As the consumer's spend on leisure and entertainment increases, the mix of his spends is going through a churn like never before. Leisure and entertainment are recession proof. The affluence across the country has touched a large part of the population and there is no looking back. Multiplexes, leisure retailers across books, music, gaming all form a shared existence and whilst the shares of the pie keep shifting the overall leisure and entertainment business is well on its way to a Rs. 60,000 Crore mark by 2010-11.

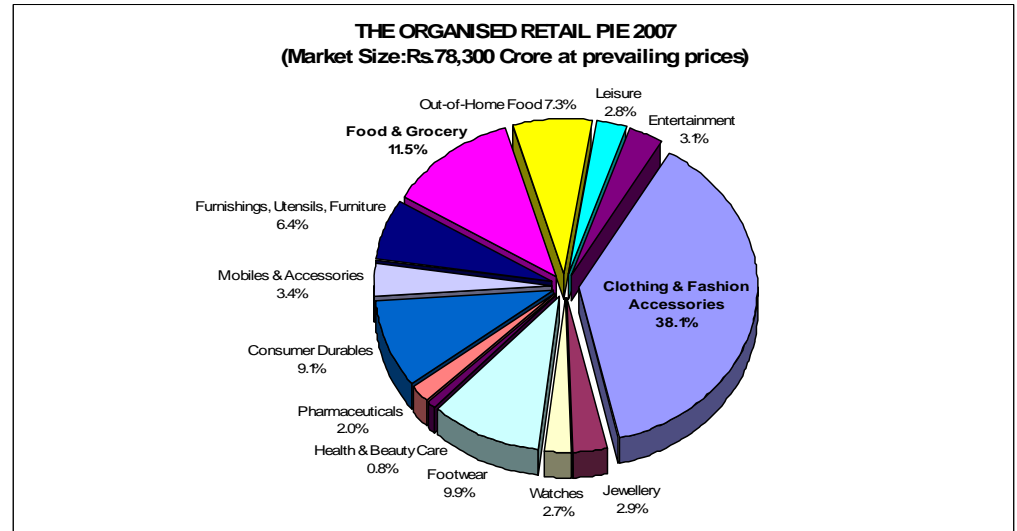
In the organised retail segment, however, the fastest growth was recorded in the tiny health & beauty care services category (Rs.660 crore), which grew at the rate of 65 per cent in 2007 over the previous year – again a reflection of rise in services sector employment that demands proper grooming. The second fastest growing organised retail category is that of Entertainment (53.8%), followed by the mobile phones & accessories and the food & grocery retail categories, both of which achieved 55.2 per cent growth in 2007.

Much of the stupendous growth opportunity in Catering services (25.1%) and leisure retail (23.3%) categories was utilised by the unorganised retailers because organised players could not keep up to the desired growth momentum. A closer study of the retail growth story at constant prices shows that in both these categories growth of organised retail was higher in 2006 (41.7% and 26.1% respectively) as compared to 2007 (37% and 25%).

At constant prices, growth in the fashion & accessories retail category, both in the overall market and the organised retail segment, have been consistently positive since 2004: while the overall market grew 12.8 per cent in 2007, the organised segment grew 35.5 per cent.

In jewellery retail, the overall market growth was higher in 2007 (9.6%) as compared to the previous year (9.2%) but growth in organised retail was slightly at a lower pace in 2007 (31%) as compared to the previous year.

The overall market growth in the timewear category has declined from 10.7 per cent in 2005 to 9.7 per cent in 2006 and further down to 8.9 per cent in 2007. However, growth in organised retail was higher in 2007 (16.6%) as compared to 2006 (14.8%). Popularity of mobile phones is to a large extent responsible for the dampening of the overall market growth in this category while the renewed enthusiasm in the organised segment is on account of the fillip from luxury brands and offerings that are positioned more as a hi-end lifestyle statement than on the functionality aspect of the product



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Footwear retail, the overall market as well as its organised segment, has grown faster year after year but growth in 2007 was especially remarkable: the overall market grew 12 per cent in 2007 as against a 9.2 per cent growth in 2006 while the organised segment grew 42.3 per cent and 36.4 per cent respectively for the two years. The global brands have actually turned the heat on, and the domestic brands too appear to have accepted the challenge in the true spirit.

Growth in the health and beauty care category has been remarkable in 2007, though the organised segment growth in 2007 (57.5%) was slightly lower as compared to 2006 (59.1%). The demand is stupendous but organised players have hardly much to boast of in terms of innovative concepts and global standards when it comes to providing the customers with an experience that is superior and radically different from what the unorganised segment offers. This category needs to be positioned as a "wellness" category that provides individualised services to customers with synergies of health & beauty care, pharmaceuticals and specialised clinical services – all at one place.

Another category that merits special mention is Furnishings and Furniture retail, where the overall market grew at seven per cent in 2007 as compared to just 3.2 per cent in 2006 – thanks to the housing sector boom. The organised segment also grew faster at 29.7 per cent in 2007 as compared to 23.1 per cent the previous year, but this Rs.45,500 crore category calls for better attention from organised players. Is India ready for ready-to assemble furniture? May be not but surely the market will change in next couple of years. Global players need to understand that Indian homes are different and so are the Indian environments, maintenance standards. At present most large players entering this segment are busy experimenting and in the process have lost monies too.

Consumer durables and the mobile phone & accessories categories have both grown faster in 2007 as compared to 2006. At constant prices, the overall food & grocery retail market grew slightly higher at 2.3 per cent in 2007 as compared to a 2.2 per cent annual growth in the previous two years. But the organised retail segment in this category is simmering in the true sense – a 50 per cent growth in 2007 as compared to 42.9 per cent in 2006, and lot more fireworks can be expected this year and the years ahead. Valued at Rs.9,000 crore, this organised market constitutes barely 1.1 per cent of the total food & grocery retail market.

Timewear (48.9%) and Footwear (48.4%) are the most organised of all retail categories. Clothing & fashion accessories retail comes next with the organised segment controlling 22.7 per cent of the market.

With the given rapid pace of retail growth, it is expected that Indian retail market (estimated at current prices) will be in excess of Rs.18,10,000 crore by year 2010; Organised retail will likely exceed Rs.2,30,000 crore, accounting for nearly 13 per cent of the total market in 2010. This growth will call for a greater availability of quality retail space in the country.

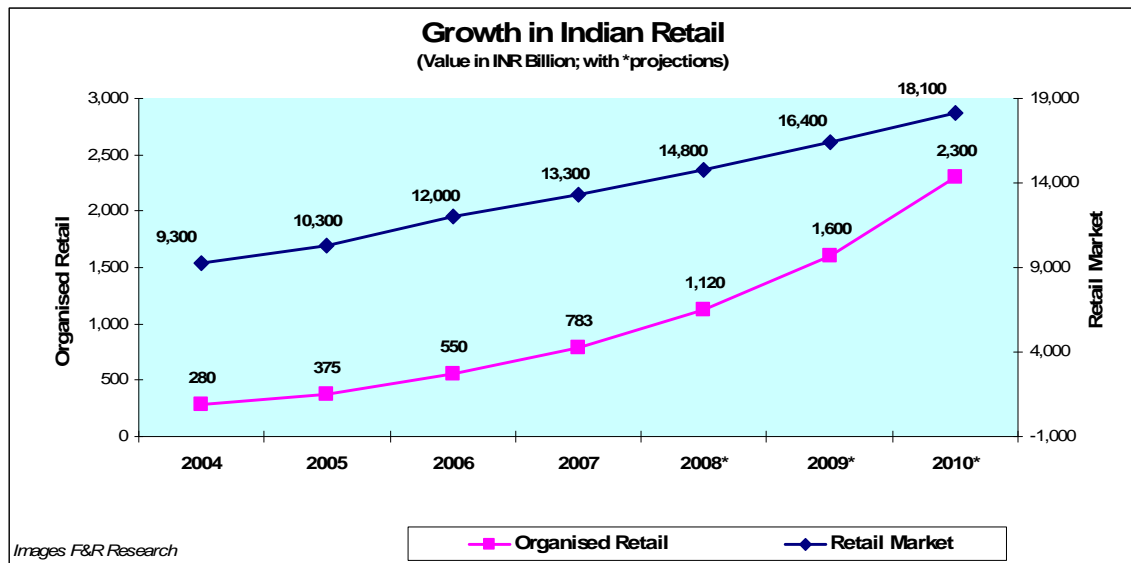
SPACE – AND THE FREEDOM TO GROW

Each time one takes stock of the country's retail estate scenario, one invariably comes across statistics to show that every city in the country is bursting at its seams with shopping centre activity. If mall space were to be taken as an indication of the level of activity, we find that the country has witnessed nearly 12-fold growth in the last five years, with total mall space having increased from just about 3.7 million square feet in 2002 to over 47 million square feet in 2007. Also, the opening up of the real estate sector to FDI has brought India in the international investment spotlight. FDI inflow in to the sector has propelled the realty sector growth at over 30 per cent per annum. There is yet a lot more to unfold on India's retail landscape in the years ahead.

Shopping Centers

Currently, there are about 280 operational shopping centres in various formats and sizes (including some partly operational), and this number is expected to rise to almost 500 by end-2010. Of the new malls coming up, 40 per cent are concentrated in the smaller cities. Shopping centre business alone is estimated to become a Rs 40,000 crore business by 2010-11.

By 2011 India will have an additional 280 hypermarkets, 3,200 supermarkets, 400 department stores, and approximately 1,200 mega speciality stores & category killers and 20,000 exclusive brand outlets across the various retail categories. Malls alone will provide an additional 200 million square feet of gross leasable quality retail space (GLA) by year 2011.



The emergence of Shopping Centers is already beginning to define a new lifestyle for India. There is no doubt a huge demand for clean, contemporary shopping and entertainment complexes that will house India's brands and retail formats and offer New India an exciting and rewarding shopping experience for the whole family. A number of winning solutions will doubtless emerge over the next few years but the dominant centers for the long term will be those that are designed around the Indian consumer and cater to the long term specific needs of a particular location. A shopping center doesn't serve all India. It serves consumers living largely within a five to fifteen kilometer radius of that center. So a successful shopping center in Trivandrum will be designed differently to one in Ludhiana. The tenant mix will be different. The food court will have a different menu offer and local services such as transport and logistics will be tailored to the needs of the local community.

Organised retailing in small-town India is already growing at over 50-60 per cent a year, compared to 35-40 per cent growth in the large cities. About 200 tier-III cities with population of less than 2 million and another 500 rural towns have the potential to be the hub for rural markets, where organised retailing can effectively set base – each of these 700 centres will on an average be catering to about 1,000 villages.

Supply Chain, Logistics & Infrastructure

Organised retail is a function of strong supply chain and robust physical infrastructure. Basic supply chain framework takes care of operational performance at each nodal point – from order to delivery. In view of this, major retailers will have to continuously upgrade their back-end, front-end and supply chain dynamics in order to provide a standard of value and services to their customers.

Corporate bigwigs such as Reliance, AV Birla, Tata, Godrej, Bharti, Mahindra, ITC, RPG, Pantaloon, Raheja and Wadia Group are expected to invest close to Rs.1 trillion in the business of retail over the next five years. Reliance Retail is investing Rs.30,000 crore in setting up multiple retail formats backed by a 68-strong distribution network, with expected sales of over Rs.100,000 crore by 2010. The Future Group's Pantaloon Retail and RPG's Spencer's are also going all out to maintain their dominant position on India's retail horizon. Subhiksha has earned global accolades for its fast-track growth. The Lifestyle India, Indiabulls, Wadhawan Group, Vishal Retail, petroleum majors IOCL, BPCL & HPCL, and others are firming up more and more ambitious retail expansion plans by the day. While global retailers Metro AG and Shoprite Holdings increase their presence on the Indian retail landscape, the Bharti – Wal-mart combine is scouting locations for their joint retail venture. The recent tie-up between Tata and Tesco further adds to the action in retail.

Regional Retailers

Realising the big picture of retail regional retailers too are waking up to position themselves strong against MNCs and Indian Corporate big wigs jumping into the ring. But the match has only just begun and promises to be a show stealer. Some of the larger regional players are looking to tie up with international retailers. Although multi national and large Indian retailers clearly have the advantage of size and power, local companies have survived by adapting. As the big guns introduce new branding strategies, improved merchandising and management techniques, local retailers are fast to catch up and emulate to co-exist.

The big players in what has traditionally been a fragmented market makes existing food retailers look really tiny, even in the case of large regional chains that have been around for years. The South particularly has a large concentration of such businesses which are giving the MNC / Corporate Retailers a run for their money

Even as multinational retailers are firming up their India strategies, franchising is emerging as the preferred option. Franchisee activity is expected to pick up in tier-II cities as well. According to a Frost & Sullivan research, the overall Indian third-party logistics (3PL) market, estimated at about USD 890.3 billion in 2005, is expected to grow at a compound annual growth rate of 21.9 per cent to reach USD 3,556.7 million in 2012. Shop-fit and Technology are the other sunrise retail support sectors that offer immense opportunity for investment and growth.

Need to give Indian retail - a face of India

India Brand Story can travel across the globe with 'Delhi Hat' type shopping cum entertainment centres opening not only across India but all over the world. Public private partnership can revitalise the formats like KVIC run Khadi Bhawans, one of the largest retail networks in the world, and also govt. state run emporia.

As India emerges as one of the most potential markets for global brands and retailers and retail reinvents the way modern Indians celebrate their spending power, India that takes pride in its rich culture, heritage, art, craft and variety of wares must capitalize on this ever escalating consumerism and channelise the spending towards healthy consumption for overall development of the country.

Employment Generation

Modernising retail will see some 15 million people engaged in retail and retail support activities by 2010 – including front end retail operations, supply chain, logistics, process & infrastructure development and supplies.

Retail Formats

There is strong emergence of India specific retail formats irrespective of the size. For example, hypermarkets, supermarkets or convenience stores that are emerging in India today are specifically designed for the Indian consumer. A store in India will have non-vegetarian section sealed-off from the rest of the store out of respect for a group of consumers. Spices, vegetables and grains are seen stacked high in a special section. Retailers in India have realised the relevance of designing and executing world-class hypermarket formats in India, specifically catering to the Indian consumer yet offering world-class products at prices that India can afford.

Indian department stores stock brands that Indian consumers want and design their store layouts based on their few years of experience. But this experience is unique to them alone. A new entrant has all those lessons to learn. The existing players are developing a sophisticated knowledge base on consumption patterns and preferences that are a critical tool in defining competitive positioning going forward.

Public Private Partnership (PPP)

As there is not much scope in creating more high street within cities, Govt. needs to explore public private partnerships for regenerating district centres, office complexes, railway spare land, post offices etc.

There should be restriction of developing multi-storeyed malls in new cities and new city planning needs to create spaces for more high street concepts for future developments.

PPP can effectively work for revitalising:

Co-operatives with Facelift & Vendor Management (Example: Reliance and Sahkari Bhandar)

Khadi Bhawans & State Emporia

Neighbourhood Markets

Corporation and state authorities owned/ managed district centres & office complexes

Collaboration to use spaces and resources of Post Offices, Banks, Railways (Railway Land, Platforms, In-train Shopping Marts, Restaurants, Entertainment)

JUST THE RIGHT TIME TO THINK RETAIL

Developments indicate that this is just the right time to think retail. Fuel and passenger vehicles are two of the mega businesses that can tremendously gain in the evolving scenario.

ENTERING THE RETAIL DRIVEWAY

The auto sector needs to explore innovative collaborative opportunities with the retail sector to add value to the shopping experience of passenger vehicles. So far operated through dealership network with showrooms mostly in not-so-happening premises, auto showrooms are now beginning to move to retail centres to grab attention of new generation upwardly mobile customers. With increasing income, easy credit facilities and 'change every year' new found attitude (initially started with mobile handsets) Indian consumers are likely to make spontaneous decisions on automobile buys as well.

Oil companies - unable to raise prices of transportation fuels in line with rising global crude oil prices - are now looking at alternate revenue streams; a major reason why added emphasis is being placed on forecourt retailing. Fuel forecourts with 24x7 convenience retail concepts (merchandise & service retailing) within cities and on the highways offer huge scope for expansion of retail. The concept has the potential to create excitement and initiate activities in small towns and cities as well. Modern retailing in India will no more be restricted to the metros and major cities. Oil stations scattered through out the country's landscape can ensure that smaller towns are also exposed to modern retailing formats.

As more and more highways come up, linking small and big towns with villages, swank new fuel stations are innovating with retail stores, highway services, motels and entertainment. Such stations become destination points and soon open up avenues for residential and commercial development.

An emerging trend in the global retail petroleum industry is the growing entry of retail formats such as supermarkets, large discount stores and mass merchandisers who are placing fuel dispensers in their parking lots to provide added value and convenience to consumers. Hypermarkets that have ventured into the retail petroleum business have met with considerable success due to competitive fuel pricing, discounted prices linked to loyalty programmes and cross-merchandising.

India's oil majors can certainly take the lead to fuel the retail growth collaborating with real estate developers, auto companies, consumer brands, retailers and service providers. This will also facilitate travel & tourism in no small measure. This has happened across the globe and is now happening in India.

Travel and tourism are two other sectors that will immensely benefit connecting with retail. Railways worldwide offer a plethora of opportunities for the consumer products, brands, retailers, services, leisure and entertainment majors to connect with a large number of passengers – both locals and tourists. Not only the stations, platforms and subways that railways own and operate but also 1000s of trains – passenger or goods – offer huge scope as the largest moving media for brand and public messages, in-rail retailing besides of course providing the logistics & real estate support to the retail industry.

RURAL RETAILING

With several states in the country permitting retailers to purchase produce directly from farmers, the farmers too are adapting to the new opportunity to cultivate assigned crops and take special care of the same. This gets them instant credit at higher prices than what they received from the erstwhile traders/middlemen. Corporate retailers like ITC, Godrej, Reliance, AV Birla and many others have already established the farm linkages. Indian farmers are finally making good money, after centuries of social and economic exploitation. The Indian government too has chipped in with a massive loan waiver worth Rs.60,000 crore to lighten the farmers' debt burden.

India's rural markets offer a sea of an opportunity for the Retail sector. The urban-rural split in consumer spending stands at 9:11, with rural India accounting for 55 per cent of private retail consumption. Indeed the market can be tapped with focused attention and strategy.

India's rural markets offer a sea of an opportunity for the Retail sector. The urban-rural split in consumer spending stands at 9:11, with rural India accounting for 55 per cent of private retail consumption. Currently the Indian retail market is estimated at Rs.1,330,000 crore, and almost half of this growing retail market at present lies in rural India, which is a tremendous growth sector that needs to be tapped with care.

According to National Council of Applied Economic Research (NCAER) reports, rural India is home to 720 million consumers across 627,000 villages. Seventeen per cent of these villages account for 50 per cent of the rural population as well as 60 per cent of rural wealth. This implies that reaching out to just 100,000 plus villages will ensure access to most of the rural opportunity.

The urban market undoubtedly continues to grow but with most of the retail initiatives concentrated in the metropolitan and Tier-I and Tier-II cities, these markets are fast getting saturated. Realising this, most of the big retail companies have started targeting the Tier-III cities and the rural towns to spur their growth. The 'bottom of the pyramid' market is for sure now looking attractive for companies wanting to explore new turf. Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloon-Godrej JV) have already set up rural retail hubs, Choupal Sagars (ITC) has done the same and so have Kisan Sansars (Tata), Reliance Fresh, and others like the Naya Yug Bazaar.

Opportunity in Indian Retail

Favourable 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, H&M, 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 & 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 had 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 bandwagon. 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 organised 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 & Grocery, Durables etc. Fashion across lifestyle categories makes up for over 50 per cent of organised 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 is expected 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.

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.

FDI or No FDI, India needs more retailers & increased retail

Government's favourable talks on Foreign Direct Investment (FDI) last year ignited ambitions in many of the global players to be among the first movers into a virgin retail territory i.e. India. The issue of FDI has been debated time and again as the Indian Government has been under pressure to open up further. The policy makers continue to explore areas where FDI can be invited without hurting the interest of local retail community. The Government of India allows FDI only in the cash and carry formats and to the extent of 51 per cent in single brand retail. This brings an opportunity for Indian enterprise to collaborate with global majors and bring in global best practices in the business of retailing.

Pro-active policy making for retail industry would be welcome to ensure that the consumers benefit from choice, availability, better quality & beneficial pricing. All the current talk of retail industry growth has been buoyed by the growth of Indian macro economy over the last few years. Once the industry growth rate stabilizes, this "comfort factor" would need attention & all futuristic growth plans need to be rational about this.

Identifying growth areas, crossing barriers, creating new markets - satisfying classes as well as serving the masses, Indian enterprises need to expand the horizon of Indian retail.