

RETAIL BOOM

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Abstract

Retail boom has attracted much attention in recent years because of changing nature and practices of business. Set in the context of review and critique this paper aims at examining the present retail scenario, growth drivers which are responsible for fueling this tremendous growth. It provides an insight into organized retail market by discussing each category. The paper attempts to evaluate positive and negative side of retail boom in light of present context. It also tries to provide directions and exploratory base for future research on linkages between growth drivers and Retail boom.

Introduction-

Organized retail was present in India since 70's when shops like Raymonds, Nallis, Nilgiris and Madura garments were traversing market (Highly fragmented family run) through their exclusive stores or franchisees. During nineties industry changed under magic wand of LPG (Liberalization, privatization and globalisation) and resulted in emergence of Indian entrepreneurs (shoppers stop -1991, Pantaloon -1997) and entry of some foreign brands. Ultimately the 'much sought after' upturn has finally shown up and from the year 2002 industry witnessed better performance of supermarkets, departmental stores, chain stores, malls and 2003-2004 witnessed the emergence of hypermarkets and big discount stores.

There are positive changes in the industry in terms of practices, productivity, employment and above all for consumers thus one can say growth in retail is good.

Growth Drivers -

1. **Growing Urbanization-** The average growth of rural population was 17.9% and urban was 30.7% (period of 1991-2001). With attractions like jobs, living standards etc. type I cities (population over 1 million) have 70% of this urban population.

| | | | |
|--|------|------|------|
| Growth of population and urbanization | 1981 | 1991 | 2001 |
| Population growth (Decimal %) | 24.7 | 23.8 | 21.3 |
| Urban population as a % of Total | 23.3 | 25.7 | 27.8 |
| Urban population in class I cities as % of total | 60.4 | 65.2 | 73.7 |

(Source- statistical outline of India 2003-2004)

2. **Changing Consumer Profile -**

- Increase in purchasing power of consumers with rising number of double income families.
- Service sector (IT, Outsourcing, Insurance etc) boom
- Finance Boom- (Easy availability of finance for almost every need.)
- Rise in number of aspirational class of consumers, who believe more in spending than saving
- Increasing use of credit cards.
- There is a rise from 33% in year 2004 to 49% in year 2010 from middle to high-income category

- As per NSS data (58th Round) rural India's consumption expenditure has increased by 9% in the last two and a half years. The change is not only in quantity but also in quality as it has shifted from food to non-food, which resulted in emergence of rural organized retail.
- Value proposition for customers is changed from value for money or value for quality to combination of Value for money (given birth to concepts like discount stores and hypermarket), value for time (forced mall as one destination for shopping and experience), value for quality (forced branded retail outlets and private label) and value for experience (Forced retail and entertainment to join hands).

3. Youth Power-

With median age 24 and with 35% of population below 14 years India can be easily termed as a country of youth. This youth with high aspirations and early adaptation tendency towards modern lifestyle favours development of organized retail.

Population projections (Millions)

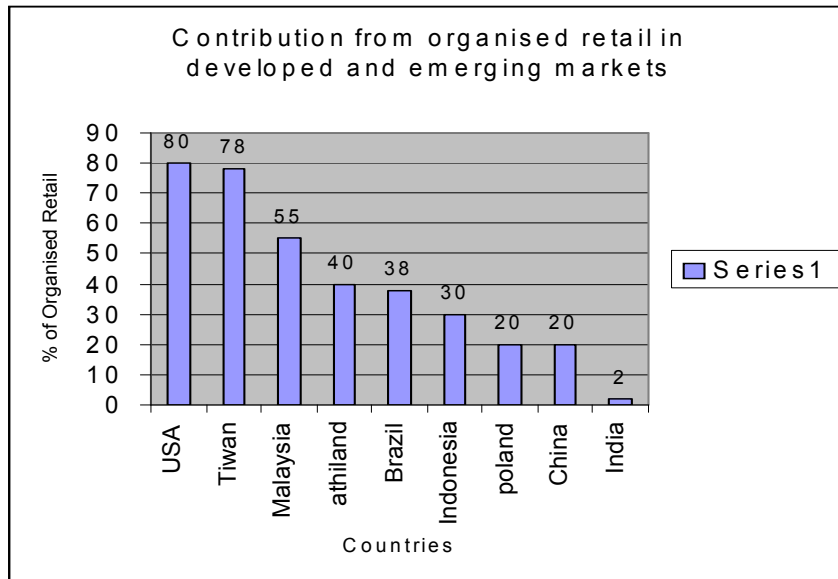
| Year | 2000 | 2005 | 2010 | 2015 | 2020 |
|----------|------|------|------|------|------|
| Total | 1010 | 1093 | 1175 | 1256 | 1331 |
| Under 15 | 361 | 368 | 370 | 372 | 373 |
| 15-64 | 604 | 673 | 747 | 819 | 882 |
| 65+ | 45 | 51 | 58 | 65 | 76 |

(Source: Based on P.N.Mari Bhatt," Indian Demographic Scenario 2050", Institute of Economic Growth, New Delhi, Discussion Paper No. 27/2001)

4. **Information Revolution-** Liberalization, cable, satellite, internet and mobile revolution have exposed Indians to other cultures, business practices, offerings, world class experiences and life style. IT industry has shown the growth- 20% per annum over the last four years.
5. **Changing Real Estate Scenario-** Availability of right location at affordable rent is a critical factor in organized sector and from last two years mall development (Chesterton Meghraj, Real estate consultancy the number is above 100) is trying to address this issue.
6. **Other Factors-** The industry returns especially in Mall is attracting investors and also big business houses with deep pockets like Rahejas, RPG, TATAs, Ambani's, Piramal's, Singhania's etc.

International Scenario -

Internationally retail sales are estimated at \$7 trillion (USD). Top 200 largest retailers account for 30% of worldwide demand. As per A.T. Kearney's study based on Global retail development index (GRDI) India has been placed at sixth place. Around 7% of Indian population in India is engaged in retailing where as the ratio is 20% in US. US organized retail market constitutes approximately 50.4 % of total international market.



(Source- Chain store age, KSA Technopack)

Indian Retail Sector -

Total retail sales in India were Rs. 10.92 trillion combining both organized and unorganized sectors. The industry generates about 10% of India's GDP (CII-McKinsey report) and provides employment to about 20% of the economically active population. In India per capita outlets is 5.5 per thousand (highest in world) but per capita retail space is 2 sq ft, which is lowest in world. The Organised market has witnessed surprising growth and the share of organised retail is increasing (ETIG estimates- 30% in coming five years, KSA estimates 5-6% by 2007).

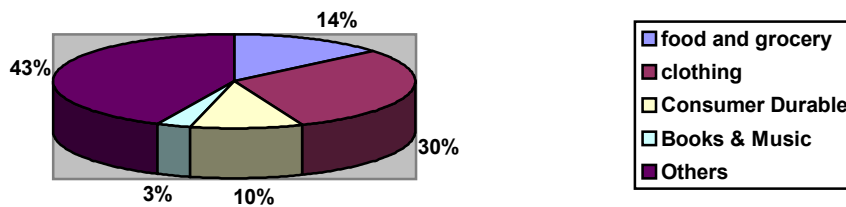


(Source- Indian retail Industry, Cygnus Economic & Business Research)

Organised Sector -

Normally classification is based on merchandise like food retailers (conventional Supermarket, Big Box Retailers- Hypermarket or Warehouse clubs, Convenience stores etc), Apparel retailers, General merchandise retailers (Discount stores, Department stores, drug stores, Specialty stores, Category killers etc), Non-store retailers (e- tailing, Direct mail retailing, Direct selling, T.V home shopping etc), services retailers etc.

Composition of Indian organised Retail in 2004



(Source- Industry Insight- Indian Retailing Industry, Cygnus Business Consulting & Research, Hyderabad, (May 2004), 12)

Following table gives idea of various sectors in retail and of major players.

| S. No. | Category | Description | Retailers |
|--------|--------------------|--|---|
| 1 | Food and Groceries | <ul style="list-style-type: none"> Grocery- fresh (very perishable items like dairy products, vegetables, fruits and meat) and dry grocery (of items like grains and cereals) In India - above 50% of consumer spending is on it Second largest share (14%) | Nilgiris, Subhisksha, Food world, Safal, shahkari Bhandar, Fabmart, Hiko etc. |
| 2. | Clothing/ Apparels | <ul style="list-style-type: none"> Pioneer category in organized retail Contributes about 16% of the India's total export Contribution (25-27%) | Indian- Pantaloons, west side, shopper's Stop, Life Style, Globus, Raymonds, Maudra International- Benetton, Arrow, Allen solly, Wills life styles |
| 3. | Consumer Durables | <ul style="list-style-type: none"> Difficult product differentiation Highly fragmented and competitive market Absence of national player with all brands in its basket. | Viveks (Chennai), Vijay Sales, Akbarallys (Mumbai) etc. |
| 4. | Specialty | <ul style="list-style-type: none"> Serves specialized segment | Music world (Music), Loft (shoes), Arcus (furniture), Crossword (books) |
| 5. | Others | <ul style="list-style-type: none"> Food & Beverages segment (ready to eat food and drinks) Personal care- (Health, Beauty) Entertainment and leisure sector | McDonald's, Haldirams, Barista and CCD Shahnaz, Lakme beauty salon etc. PVR, INOX, Appu ghar etc |

Impact of Retail Boom-

Like coin's two sides its positive and negative aspects are required to be analyzed.

Positive side -

- Consumer is beneficiary-** Getting variety of products of better quality at international experience, at competitive prices from traditional and modern retailers.
- Better Scenario -**
 - The industry is witnessing professionalism in various retail practices and processes
 - The aesthetic and quality factor, which contributes to experience of shopping has improved.
 - Retailing itself provides 1.4 million jobs per year for skilled, semiskilled and unskilled workforce (up to 60-70% of retail employees are daily wage earners).
 - It creates more female oriented jobs (20%-40% jobs) thus utilizing the under utilized section. By taking care of issues like fixed working hours, weekly day offs, child labour and social security provides better living.
 - Helps to develop ancillary industries and other related industries (McDonald invested Rs.300 cr. in supply chain in India).
- Development of Various formats suitable to specific needs-** In India due to different geography and demography the organized retail remains region specific especially the food retail and has different formats like hypermarket in Metros, Supermarket and departmental stores in Mini metros and e-chopal of ITC in rural area.
- Retailers and Academics joined hands-** To meet the problem of quality of workforce (Critical factor) both academics (Welingkar, Somaiya, Mudra etc.) and retailers (RPG, Ebony, Pantaloon) are putting individual or joint efforts.

5. **Attraction for foreign retailers** - FDI brings some advantages like better know-how, investment in basics like infrastructure, supply chain, research etc. Some are waiting for FDI approval while others like German 'Metro' (cash and carry format) in Bangalore and South African Hyper market 'shoprite' in Mumbai (through franchise agreement with local company Nirmal Lifestyle) have already entered.
6. Emergence of specialized service branch called Retail management (specialized consultancy in many areas like merchandising & buying, Category management, supply chain management etc)
7. Unlike its foreign counterparts the organized retail in India has started from Metros and has already started targeting mid sized cities (contradicting predictions) and thus benefiting consumers there also.

| Distribution of organized Retailers | Year 1999 | | Year 2005 | |
|-------------------------------------|--------------|---------------|--------------|---------------|
| | Top 6 cities | Next 4 cities | Top 6 cities | Next 4 cities |
| | 88% | 12% | 66% | 20% |

(Source- KSA Technopak)

Negative side-

No doubt beside having a lot of space both the traditional and modern retailers are competing for share in the same pocket therefore one may affect the functioning of other. Traditional retailers, which are adapting better practices and catering through differentiation like home delivery, credit, customizations etc are going to survive but those who are not will be in difficulty. Other problems are traffic problems (due to location and store promotions), problems of social amenities at backend operations etc.

Conclusion-

So far in many ways retail boom benefited various sections of society and thus proved its importance not only in India but also in world. The sustainability of boom will depend on sustainability of its growth drivers, supply chain efficiencies, FDI, industry status and on consumer empathy. The Indian Market has the available knowledge of foreign counterparts to learn and to refrain itself from mistakes and also has strong base of home players to experiment and fuel this boom.

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