

Giving a bird's eye view account of the current developments in the retail segment in India, **Avirat Sonpal** talks about the two main players in the sector and the strategies MNCs should use



# Retailing: The Sunrise Sector

**I**n recent times, one segment that has made a considerable amount of noise in Indian media is retail and not without any reason. A couple of years back AT Kearney identified India as the "second most attractive retail destination" from among 30 emerging markets. With a contribution of 14 per cent to the GDP and employing 7 per cent of the total workforce or 4.2 crore people in the country (only agriculture employs more), the retail industry is definitely one of the pillars of the economy. At the start of 2004, the overall Indian retail market was pegged at USD 162 billion and by 2005 it was estimated to be USD 202.6 billion and expected to grow at a rate of 30 per cent over the next five years.

Interestingly, of the over USD 200 billion market only USD 7.7 billion (approximately 3.8 per cent) has been from organised retail while the rest is from the unorganised sector. However, with the kind of boom that Indian retail is witnessing now, organised retail is set to increase its contribution to 20 to 22 per cent in the coming years, i.e. around USD 24 billion. While the economy and disposable income situation have been major factors in changing the retail scene, there is also a major hype being created.

### Indian retail players



Kishore Biyani, MD, The Future Group

While there has been considerable amount of material written about the retail industry, only two players in my opinion have been in the limelight,

(earlier Pantaloon Retail India Ltd) and Mukesh Ambani, CMD, Reliance Industries.



Biyani's strategy for The Future Group is to diversify, test and build. While he has the first mover's advantage in the different sub-sectors of retail, lack of specialised expertise could be Biyani's handicap. On the other hand, Ambani's strategy is to have a fool-proof blue print for well-planned growth and tons of investment. The way I look at it, the Indian market has an enormous potential for retailing. Apart from these two, there are other talented players in the market like Globus, Trent and Shoppers' Stop (with its new one lakh sq.ft mall space) who I believe have legitimate, sound and sustainable growth plans.

There are areas that need attention, like the real Indian market that lies outside urban areas. The players who can reach out to this untapped 80 per cent of the market will thrive and lead to the exponential growth of the Indian retail market.

### FDI in retail

With India having its own culture in terms of beliefs, likes and needs, MNCs need to work harder to sell their products here. Customisation of products and modification of strategies are key for MNCs to succeed in India. To understand the Indian market better, MNCs need to hire local retail gurus either by hiring or forging joint ventures.

Opening up of FDI in India in single

branded retailing means that we are working towards putting ourselves on the retailing world map. Wal-Mart is ready to take a huge pie. However, I believe it will be a while before we open up as an economy to all kinds of international retailing (multiple branded retailing; specialty retailing Best Buy, Footlocker, Sunglass Hut, Staples, Office Depot and Toys R Us to name a few).

Though the Indian economy is currently witnessing a major transformation in retail, I believe that the hype created by media is an exaggeration. Though India has great potential, it has a long way to go before it reaches a standard of that of the western world. We are likely to see developments such as Indian retailers expanding and investing more with various MNC single branded retailers trickling into the market. In sync with the rapid growth of retail, and various job opportunities created, specialised courses in retailing and its sub-categories are emerging.

Several Indian retail players are expected to attain a critical mass as growth in the industry picks up momentum. This will be driven by two main factors. First, availability of quality real estate and mall management practices, and, second, consumer preference for shopping in new environs. However, it is too early to say who will survive and who won't. Key being, who is more focused and, at the end of the day, who has a winning out-of-the-box business strategy in terms of marketing, pricing, product development and business module.

*The author is MD, 4004 Inc India. The company is the supply chain and procurement hub for Steve & Barry's, USA*

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2006