

# Survival of the best

**Avirat Sonpal** gives a bird's eye view account of the current developments in the retail segment in India



In recent times, one segment that has made considerable amount of noise in the 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 emergent markets. With a contribution of 14 per cent to GDP and employing seven per cent of the total workforce or 42 million (only agriculture employs more) in the country, the retail industry is definitely one of the pillars of the economy. Look at these figures. At the start of 2004, the overall Indian retail market was pegged at US\$ 162 billion and by 2005 it was estimated to be US\$ 202.6 billion, and expected to grow at a rate of 30 per cent over the next five years.

Interestingly, of the over US\$ 200 billion market, only US\$ 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 20-22 per cent in the coming years, that is, around US\$ 24 billion. While the economy and disposable income scenario have been major factors in changing the retail scene, I also feel that a major hype is being created.

## Indian retail players

While there has been a considerable amount of material written about the retail industry, only two players in my opinion have been in the limelight: Kishore Biyani, MD, Pantaloon and Mukesh Ambani, CMD, Reliance Industries.

Biyani's strategy for Pantaloons 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 foolproof blueprint for well-planned growth, and tonnes 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 the new 100,000 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. In my opinion, the player who can reach out to this 80 per cent of the untapped market will thrive the exponential growth of the Indian retail market.

### FDI in retail

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

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; speciality 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 one that is over-exaggerated. Though India has a great potential, it's a long way to go before it reaches a standard of that of the western world. I 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 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 key factors. Firstly, availability of quality real estate and mall management practices and secondly, consumer preference for shopping in new environs.

However, it is too early to say who will survive and who won't. The 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. 🇮🇳

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