THE RETAIL INDIA: PRESENT WILL GUIDE THE FUTURE

(FACT FINDER SERIES: 05)

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FOREWORD

This ***(fact finder series)*** *of research papers is part of a mission mode effort by the author to dwell and get insight into the pressing economic problems and constraints the world in general and India in particular is confronting. Financial exclusion of a massive chunk of populace, fluctuating output and investment in agriculture & ignorance of this growth engine, contemporary issues of foreign direct investment(FDI),gender gap in a vast array of economic spheres, glaring inequalities, economic deformities unleashed by interest based banking system etc are some of the core issues that have engaged the attention of the policy makers throughout the world and the author as well ,are being dealt with in sequence and will be incorporated in this assessment of impact series as part of a noble effort. I propose to deal with the aforestasted issues on the grounds of merit by employing secondary and primary sources of research (whichever the author feels necessary, subject to financial constraints).I feel extremely optimistic that while the research by and large would be India centric but the results and revelations as an outcome of this cutting edge fact finder series would be applicable to the world in general.*

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Abstract;

Ever since Indian economy was opened up for foreign participation it has undergone tremendous structural changes and so has the policy policy framework. Indian retail sector too has evolved over the years and has a notable contribution to the economic framework, still it has remained grossly underdeveloped as over 94% of it is still falls under the unorganized sector. The recent policy decision of further liberalizing the retail sector is likely to come handy in the wake of changing consumer taste. The objective of this paper is to provide an over view of the Indian retail system (referred to as *The Retail India*) and discuss its fundamental aspects like structure, market extent, potential, employability etc besides looking into the changing nature of Indian consumerism. An effort has been made to highlight the emerging challenges facing the retail sector. The purposes of this research being more of an exploratory nature, relevant data pertaining to the past decade has been taken into consideration.

1. Introduction

The outlook for the retail industry in India looks promising on grounds of policy reforms, increasing disposable incomes and flourishing consumerism, a strong expected GDP growth and the advent of latest technologies in the country. The opening up of Foreign Direct Investment (up to 51%) in the multi-brand retail segment is expected to bring in an investment of over INR 400 billion and open up huge opportunities for farmers, the industry and consumers. Indian retail is dominated by a large number of small retailers consisting of local kiryana shops popularly known as mom and pop stores, dairy shops, green grocers etc. which together make up the so-called unorganized retail or traditional retail. The value sales of these traditional stores accounted for more than 90% of the sales in the year 2011. The unorganized sector will expand further due to its proximity, goodwill, credit sales, bargaining, loose items, convenient timings and home delivery. In India, Single brand retail having received 51% FDI investment sanction would improve investment scenario of the country. This in turn will lead to tough competition in Indian retail sector and hence the need for innovative marketing strategies. The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, retail industry is one of the fastest growing industries in India, especially over the last few years. From street/cart retailers working on pavements/roadsides and small family run businesses to international brands such as Rolex and Nike, the retail market in India is vibrant, colorful and highly fragmented.

Arvind Virmani (2005), the director & chief executive of the Indian Council for Research on International Economic Relations (ICRIER) acknowledged when referring to FDI in India's retail sector that "In spite of its importance, there has not been any extensive research in this area." This paper represents a sincere attempt to fill the gap in independent research that specifically focuses on the retail sector to provide a balanced and independent review of current scenario retail India.

2. Objectives;

a) To make a robust assessment of the retail sector in India. This section intends to explore the retail India in terms of its extent, nature, structural features, potential, performance, expanding consumer base and contribution to the economy.

b) To highlight the challenges faced by the retail India in the contemporary global environment.

3. Research methodology;

The Research conducted in this research project is purely analytical research. The facts & the information base acquired from various secondary sources have been used to make an in depth analysis of the Indian retail sector (Retail India). The information and data for conducting the research has been collected from a variety of sources like journals, government handouts and reports, RBI publications, books, websites, research papers, articles etc. Relevant data from the previous decade has been judiciously used for the purpose of illustration. Various tables and graphs have been incorporated into the research paper to make it more clear and comprehensive.

The Retail India

a. The piece meal approach to FDI liberalization;

India has gone a long since it first opened up its economy for FDI. Given below is a brief outline of measures taken from time to time towards opening up the economy for foreign participation;

- Indian economy opened, with FD I up to 51% allowed under the automatic route in select priority sectors.(1991)
- Indian economy opened, with FD I up to 51% allowed under the automatic route in select priority sectors(1997)
- FDI up to 51% allowed with prior Government approval in Single Brand Retail.(2006)
- Government mulled over the idea of allowing 100% FDI in Single-Brand Retail and 51% FDI in Multi- Brand Ret ail.(2008)
- Government proposed allowing FDI in Multi-Brand Ret ail.(2010)
- Government allowed 100% FDI in Single-Brand Retail and 51% FDI in Multi- Brand Retail ,Subject to prescribed conditions.(2012)

b. The extent of retail India;

Last decade has indeed witnessed tremendous growth in Indian retail industry and has integrated our Indian economy with the world. Retailing in India is progressively inching its way toward becoming the next boom industry. The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, retail industry is one of the fastest growing industries in India, especially over the last few years. With growing market demand, the industry is expected to grow at a pace of 25-30% annually.. The Indian retail industry is the most promising emerging market for investment. In 2007, the retail trade in India had a share of 8- 10% in the GDP (Gross Domestic Product) of the country. In 2009, it rose to 12%. It is also expected to increase over the years

According to a report published by The Boston Consulting Group (2012), India's consumer market is expected to grow 3.6 times from an estimated USD 991 billion in 2010 to an estimated USD 3,584 billion in 2020. As the report discusses, rising household income, urbanisation, the shift away from the traditional joint-family structure, and the coming of age of Gen I" will all contribute to this growth.10 Among the seven different categories of consumer spending, housing and consumer durables, education and leisure, and others (that include personal care, baby care, loan payment, holidays, and social gatherings) are poised to grow the fastest .

The retail industry in India is highly fragmented with millions of very tiny outlets scattered all over the country. According to Guruswamy et al. (2005), there were about 11 million outlets and only 4% of them were larger than 500 square feet in size. Patibandla (2012) estimates the number of the kirana stores to be around 12 million spread across 5,000 towns and 600,000 villages throughout the country. The proliferation of retail outlets is primarily explained by the relative ease with which a retail outlet can be established. The traditional forms of retailing require low investment and minimal infrastructure. For the same reason retailing has also been the primary form of disguised unemployment or underemployment in India. Most retail outlets are family-owned with family members working part-time or full-time. The food retail trade is the largest segment of the retail industry in India. According to Guruswamy et al. (2005), it accounts for 63% of total retail sales. At the family level, consumer expenditure on food accounts for, on an average, 50% of the total retail purchase.(See Patibandla (2012).) However, the share of food would be much larger for low income groups. While kirana stores sell food grains and dry foods, pavement stalls and sometimes better-organised larger vendors sell fruits and vegetables. Primarily due to a lack of proper infrastructure, about 40% of vegetables and fruits are destroyed before they come to the market. At the procurement stage, hygienic practices are often ignored. the informal nature of the.

In 2007, India was ranked the twelfth largest consumer market and it is expected to be the fifth-largest consumer market by 2025 after the US, Japan, China and the UK (McKinsey & Company 2007). This has made the country an attractive destination for foreign retailers.

India attracted the largest number of new retailers among emerging and mature markets (CBRE 2011).

Last decade has indeed witnessed tremendous growth in Indian retail industry and has integrated Our Indian economy with the world. Retailing in India is progressively inching its way toward becoming the next boom industry. It has emerged as one of the most dynamic and fast paced industries accounting for over 10 per cent of the country's GDP. This growth has become major attraction for foreigners to enter in India.

c. Indian Consumerism; The changing face

The potential for growth of India's retail sector is enormous. During the last two decades, the middle class has grown significantly, its average income has increased and so has its consumer aspirations. With the improvement in transportation and communication infrastructure, there has been a convergence of consumer tastes. The Indian consumers lifestyle and profile is also evolving rapidly. India has one of the youngest populations in the world with 54% of the population below the age of 25. They are not only a source of very large future demand but also their tastes and preferences are likely to be less rigid and therefore, more amenable to the changing composition of consumer products. Discretionary spending has seen a 16% rise for the urban upper and middle classes and the number of high income households has grown by 20% year on year since 1995-96.There is an increasing shift from price consideration to design and quality, as there is a greater focus on looking and feeling good (apparel as well as fitness). At the same time, the new Indian consumer is not beguiled by retailed products which are high on price but commensurately low on value or functionality. There is an easier acceptance of luxury and an increased willingness to experiment with mainstream fashion. This results in an increased tendency towards disposability and casting out -from apparel to cars to mobile phones to consumer durables.The self-employed segment of the population has replaced the employed salaried segment as the mainstream market. 40% of primary wage earners in the top 2-3 social classes in towns with a population of 1 million or more are self employed professionals and businessmen. This has driven growth in consumption of productivity goods, especially mobile phones and two and four-wheelers. Finally, credit friendliness, drop in interest rates and easy availability of finance have changed mindsets. Capital expenditure (jewellery, homes, cars) has shifted to becoming redefined as consumer revenue expenditure, in addition to consumer durables and loan credit purchases. The 4 major organized retail sectors are Food& Grocery, Clothing, Consumer Durables and Books & Music. In 2003-04, private consumption expenditure in India amounted to Rs 1,690,000 crores (USD 375 billion) of which, retail sales constitute about 61%

Between 2001 and 2010, the rich consumer class increased by 21.4 per cent, while the middle class increased by 12.9 per cent (Shukla 2010). With a growing middle class, rising GDP and disposable incomes, there is a notable change in the spending pattern of Indian consumers. At present, more than 40 per cent of consumer spending is on food, but this is expected to decline to 25 per cent by 2025, while spending on non-discretionary items like wellness products is expected to rise (McKinsey & Company 2007). In addition, Indian consumers are becoming more brand-conscious. In 2007, India was ranked the third most brand-conscious country, after Greece and Hong Kong (AC Nielsen 2008). The changing shopping behavior and rising brand consciousness among Indian consumers is driving the growth of the retail sector in India.

d. EXPLODING RETAIL MARKET;

India has 209 million households, of which the 6 million classified as ‘rich’ have annual incomes of over USD 4700 and 75 million classified as ‘consuming’ have annual incomes between USD 1000-4700. Over half of these ‘rich’ families live in Delhi, Mumbai and Bangalore, and spend around USD 18 billion annually. 62% of the market for premium products in India is also concentrated in these three cities.85% of India's retail market is also concentrated in the country's 8 largest cities.An estimated 1 million households at the top of India's income map constitute the 'super-rich'in the country. Growing by 20% every year, this segments'buying behaviour is in line with its corresponding international segments. While this segment is worth targeting for high-end premium products, it is not the key driver of the organized retail sector.The real driver of the Indian retail sector is the bottom 80% of the first layer and the upper half of the second layer of the income map (see 'Map of India's income classes'below). This segment of about 40 million households earns USD 4,000-10,000 per household and comprises salaried employees and self-employed professionals. This segment is expected to grow to 65 million households by 2010 and is currently the key driver behind explosive growth in passenger car sales(USD 5 billion in 2004) and mobile phone penetration (over 70 million).The top 6 Indian cities -Mumbai, Delhi, Chennai, Kolkata, Bangalore and Hyderabad -are the darlings of India's exploding economy. They represent 6% of the population, but contribute 14% of India's GDP. They are the centers of business, finance, politics and the emerging sunrise industries such as IT, pharma and ITeS, which have put India on the global map. These cities are also the barometer of India's economic development and most foreign investors have flocked here.

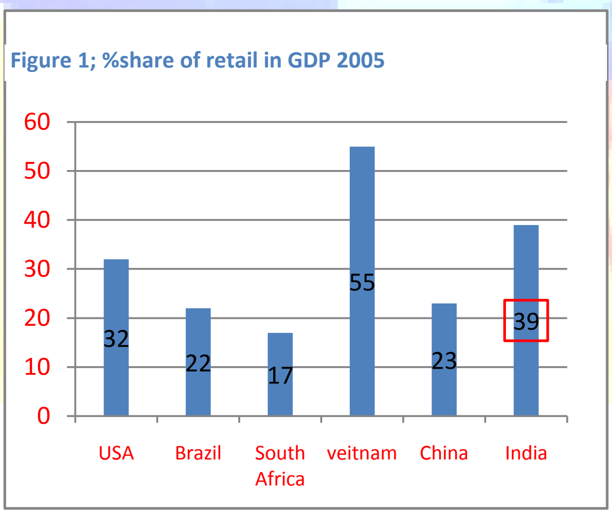
Table 01; THE INCOME MAP OF INDIA

	1994-95	1999-2000	2005-06
RICH **Annual income above US$ 4700** Benefit maximisers(own cars,PCs)	1 million households	3 million households	6 million households
CONSUMING CLASS **(Annual income 1000-4700US$)** **Cost-benefit optimizers:** Have bulk of branded consumer goods, 70% of two-wheelers, refrigerators, washing machines	29 million households	55 million households	75 million households
CLIMBERS (US$ 500-1,000) Cash-constrained benefit seekers: Have at least one major durable (mixer, sewing machine/television	48 million households	66 million households	78 million households
ASPIRANTS(US$ 350-500) New entrants into consumption: Have bicycles, radios, fans	48 million households	32 million households	33 million households
DESTITUTES (Less than US$ 350)	35million households	24 million households	17million households

Hand-to-mouth existence: Not buying			
SOURCE; ERNST AND YOUNG			

e. Growth of Indian retail industry in the last decade and its contribution to GDP;

Last decade has indeed witnessed tremendous growth in Indian retail industry and has integratedour Indian economy with the world. Retailing in India is progressively inching its way toward becoming the next boom industry. It has emerged as one of the most dynamic and fast growing industries accounting for over 39%(figure o1 below shows how significant retail is to the Indian economy, contributing 39% of GDP) of the country's GDP. The growing trend of he market, changes in thelifestyle of consumer segment increasing per capita income and emerging technologies inoperations still promises success in the long run with achievement of economies of scale.India is the fourth largest economy as far as purchasing power is concerned just behind, USA,Japan and China. Even though 25% of the population lives below poverty line, India has a large and growing middle-income group of over 300 million, making it a strong emerging market.



Source; CII and AT Kearney report 2006

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f. The locked potential of retail india;

The data from private consulting company reports suggest that growth in the retail market hasbeen rapid despite major restrictions on FDI. In the third-quarter report of 2010, the BMI India Retail Report forecasts that the total retail sales will grow from US$ 353 billion in 2010 to US$ 543.2 billion by 2014. An important consideration, the report suggests, is the fast-growing middle and upper class consumer base. The analysis also suggests that in the next few years there will be major opportunities in India's smaller cities.

AT Kearney, a global management consulting firm, rates India as the most attractive nation for retail investment. The study, presented in the Global Retail Development Index of 2009, is carried out annually for 30 emerging markets, and has rated India highest four times in the last five years. This report expresses even more optimism, and estimates that suggests that India's retail market is expected to be about US$535 billion by 2013, with around 10 per cent coming from organized retail. Other estimates are more conservative, though still impressive. According to McKinsey, a research and consulting firm, organized retail in India is expected to increase from 5 per cent of the total market in 2008 to 14-18 per cent of the total retail market and reach US$ 450 billion by 2015. Even if growth is more conservative than estimated, the spill-over effects of this rapid expansion could be felt by many other sectors of the economy. According to the Investment Commission of India, the retail sector is expected to grow almost three times its current levels to $660 billion by 2015. It is expected that India will be among the top 5 retail markets then. The organized sector is expected to grow to $100 bn and account for 12-15% of retail sales by 2015**(Singhal 1999).**

g. Employability;

The unorganised retail sector has employed about 22 million workers in 2012 and it has increased from 18 million in 2001. In contrast, the organised retail employs less than a million workers. Overall, the retail sector is the second largest employer after agriculture in India(see patibandla 2012) It is apparent from Table 1 (alongside other estimates) that, unorganised retailing accounts for more than 90% of all retail trade in India.

The traditional forms of retailing require low investment and minimal infrastructure. For the same reason retailing has also been the primary form of disguised unemployment or underemployment in India. Most retail outlets are family-owned with family members working part-time or full-time, thus making it harder to obtain a precise estimate of actual employment generated by the retail sector in India.

Table :02; Employment Shares(millions) in Retail Trade, 1993-2008				
Year	Rural		Urban	
	Males	Females	Males	Females
1993-94	3.63	1.4	14.6	6.66
2007-08	5.6	1.7	18.8	8.6
Source: Authors' calculations based on data from DIPP report.				

h. Informal nature of the relationship;

Between the traditional retail stores and the consumers is also an important feature of India's retail sector. The repeated interactions with customers who live in geographically proximate locations generate mutually beneficial trust in exchanges. The customers are often able to obtain their consumables on credit and the stores earn customer loyalty. Relationship between the traditional retail stores and the consumers is also an important feature of India's retail sector. The repeated interactions with customers who live in geographically proximate locations generate mutually beneficial trust in exchanges. The customers are often able to obtain their consumables on credit and the stores earn customer loyalty.

i. India and the Global Retail Index;

The global slowdown hasn't spared India, whose GDP growth rate slipped to 5 percent, down from a 10-year average of 7.8 percent. Same-store sales volume growth slowed in 2012 across retail, particularly for lifestyle and value-based formats. India falls nine spots in the GRDI to 14th; its previous low ranking was 6th place in the inaugural Index in 2002, and it was first as recently as 2009. High operating costs, low bargaining power with vendors, and heavy discounting to improve sales have affected profits and expansion plans. Real estate cost and space availability also remain important issues. Many players are actively looking at improving sales productivity, cutting operating costs, and reducing store size.

However, the long-term fundamentals remain strong: in particular, a large, young, increasingly brand- and fashion-conscious population. Retail growth of 14 to 15 percent per year is expected through 2015. Modern retail remains limited (7 percent in 2012), but it is expected to grow as the country urbanizes and retailers make new investments. In 2012, India's retail sector reached an important landmark: The government allowed 100 percent foreign direct investment in a single brand for the first time. Several single-branded retailers entered India in many sectors: apparel and beauty (including Brooks Brothers, Kenneth Cole, Sephora, and Armani Junior), standalone boutiques (including Roberto Cavalli and Christian Louboutin), and food (including Starbucks and Dunkin' Donuts). Large retailers such as IKEA are finalizing their India entry strategies.In multi-brand retail, the government allowed 51 percent FDI starting in early 2013. However, there are preconditions about investment, sourcing, store locations, and state government approval. Although the government has received multiple investment proposals, many multi-brand players are taking a "wait-and-see" approach due to apprehensions about how the policy will be implemented.Retailers are expanding in tier 2 and 3 cities as real estate costs in major metro areas skyrocket. Carrefour, Metro, and Bharti-Walmart have increased their presence in these markets

Table 03; GRDI INDEX 2013

2013 rank	country	Market attractiveness (25%)	Country risk (25%)	Market saturation (25%)	Time pressure(25%)	GRDI score
1	Brazil	100	86.2	43.3	48.3	69.5
2	chile	95.6	100	18.7	54.3	67.1
3	Uruguay	92.0	73.9	63.5	36.5	66.5
4	china	62.1	67.9	34.3	100	66.1
14	india	36.8	59.4	63.3	60.6	55
23	russia	92.4	44	21.1	37.4	48.7
		0=low attractiveness **100**= high attractiveness	**0**=high risk **100**=low risk	**0**=saturated **100**=not saturated	**0**= no time pressure **100**=urgency to enter	

Source; Adapted from A.T. Kearney(2013) Global Retail Development Index™ (GRDI)

THE DARK SIDE

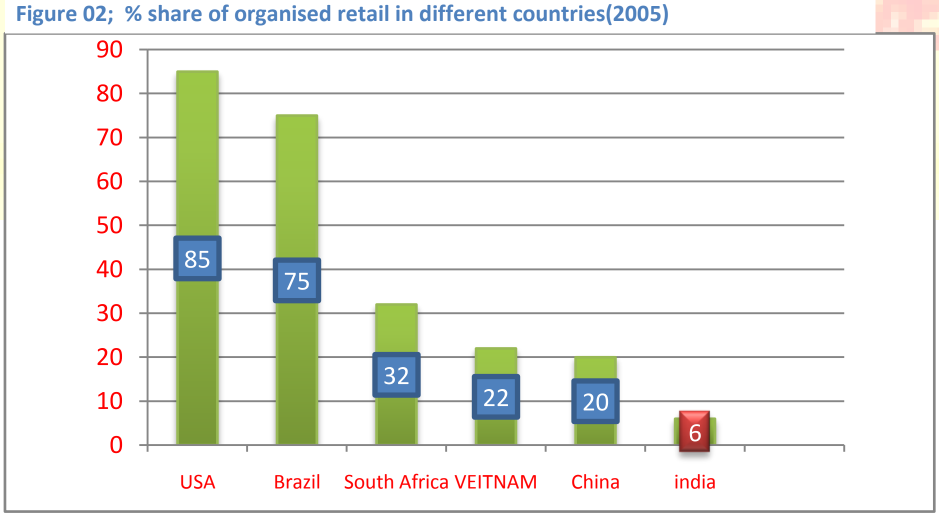
In spite of the recent developments in retailing and its immense contribution to the economy, it still continues to be the least evolved industries and the growth of organised retailing in India has been much slower as compared to rest of the world. Over a period of 10 years, the share of organised retailing in total retailing has grown from 10 per cent to 40 percent in Brazil and 20 percent in China, while in India it was only 2 per cent (between 1995-2005). One important reason for this is that retailing is one of the few sectors where foreign direct investment is not allowed. Within the country, there have been protests by trading associations and other stakeholders against allowing FDI in retailing. On the other hand, the growing market has attracted foreign investors and India has been portrayed as an important destination.

a) Organized retail still highly underdeveloped;

The retail sector contribution to GDP though highly significant, yet organized retailing is still in an under-developed early stage at only 6% of total market (2005) when compared to other countries. It is clear from this data given in figure 02 that India has a significantly lower percentage of organized retailing compared to other developing markets such as China with 20% of organized retail penetration, and Brazil with 75%. When compared to their respective retail sector contributions to GDP, India is higher at 39% than China and Brazil.

is significant contributor

Figure 02; % share of organised retail in different countries(2005)



Source; Confederation of indian industries and AK Tearney report 2006

b) China's share in gross sourcing to global retailers(a lesson for India);

China has received over Rs. 1.5 lakh crore of FDI in retail helping organized retail grow at an extremely fast pace. In fact the amount of sourcing from China has grown at a much higher rate compared to the increase in revenues of foreign retail players (see Figure 1). China started the journey of FDI in retail back in 1992 and is now almost fully open to FDI since 2005 FDI in retail is now outpacing overall FDI in China at an overall growth rate of 42%.

Table 04; Elasticity of Chinese exports to foreign retailers (amount in Rs 000 crore)

Year	Wal-Mart	Carrefour	Tesco
2005	90	23	6
2010	210	55	18

Source: Ministry of Commerce, National Bureau of Statistics in China, Booz & Company analysis

In china the retail revenues of major retailers grew from 25000 crore to 80000 crore between 2005 and 2010. In the same period their combined buying from china for exports grew from 1.2 lakh crore to 3 lakh crore. The correlation between developing suppliers for local markets and and then leveraging their capabilities for exports is very high and applicable for india also. In india examples to support this already exist in the form of Mc Donald, bharti-Wal-Mart, reebok etc

c) Falling GRDI ranking;

India has been slipping notches year after year on the global retail index. A T Kearney's annual Global Retail Development Index (GRDI),2008 saw Vietnam leaping to the first position(overtaking india) from 4th place in the 2007, driven by strong GDP growth, changes to the regulatory structure favouring foreign investors and increasing consumer demand for modern retail concepts. The growing challenges such as soaring real estate costs, lack of good commercial real estate and regulatory complexities, especially for foreign retailers are now starting to shrink the window of opportunity for new entrants to India, he added.However, most large foreign retailers with plans to be relevant in the country already have offices and operations in the country. The large domestic players have also hit the ground running and most are executing extremely aggressive growth

The GRDI 2007 ranked India first with the score of 92 among twenty countries interms of retail growth ahead of Russia and china. India falls nine spots in the GRDI(2013) to 14th; its previous low ranking was 6th place in the inaugural Index in 2002, and it was first as recently as 2009. High operating costs, low bargaining power with vendors, and heavy discounting to improve sales have affected profits and expansion plans. Real estate cost and space availability also remain important issues. Many players are actively looking at improving sales productivity, cutting operating costs, and reducing store size.

Table 05; GRDI Index 2007

Rank	country	Country risk 25%	Market attractive 25%	Market saturation 25%	Time pressure 25%	GRDI score
1	India	67	42	80	74	92
2	Russia	62	52	53	90	89
3	China	75	46	84	84	86
4	Vietnam	57	34	76	59	74
5	Ukarine	41	43	44	88	69

Source; Adapted from A.T. Kearney(2007) Global Retail Development Index™ (GRDI)

d) Under developed infrastructure;

India is a large and highly fragmented country, with 29 states and 18 official languages.A bulk of its population, 66.1 %, lives in rural areas. The lack of adequate infrastructure makes it virtually impossible to reach this virtually untapped market. Distribution, or the lack of it, is a major hindrance for retailers in India. The lack of quality infrastructure across the country and a non-existent distribution sector results in inefficient logistics systems. Infrastructure is the weakest link in India's path to progress and there is an urgent need to address issues plaguing this area. Urbanization is driving an increasing need to upgrade or create infrastructure facilities. An indicator of the urgent need for highway development, for instance, is the fact that average daily traffic volume on highways of 39,000 Passenger Car Units (PCUs) far exceeds the highway capacity of 15,000 PCUs. Transport is a major concern, with a deteriorating railway system and a limited highway network. In contrast to the global standards, the average load carried by trucks in India -around 7 tons -is very low. However, the Indian Government is presently investing heavily in the state highway system. This will help in an overall decline in logistics costs which is currently 10-12% of the total GDP.10,000 MW of power needs to be added every year for the next decade. Growth in air passenger traffic, estimated at 20% p.a. for the next two years, necessitates quadrupling of airport capacities. Ports will witness 38% increase in tonnage in the next 2-3 years and hence, port infrastructure cannot be ignored.The lack of a distribution sector and specialized distribution companies is a major obstacle for retailers to fully utilize India's retail potential. The challenge to the retail is the requirement of heavy initial investments which leads to difficulty in achieving break even and this is the reason that many of these players have not tasted success so far. If addressed urgently and seriously, infrastructure can translate into India's biggest opportunity.

e) lack of skilled manpower

THE organized retail market is set to double in the next 3 years to $30 billion, (Rs 1,20,000 crore approx.) according a FICCI-Ernst & Young report 'Winning with intelligent supply chains'. According to the report, the organized sector, which today accounts for 5 per cent of the total retail market, may increase its share to 30 per cent in the next 10 years. The report highlights lack of high quality road networks, power shortages and insufficient storage spaces as major constraints for the development of an efficient supply chain. With close to 80 per cent of the goods being transported by road, the country needs a more robust road network. The report suggests that the industry loses to the tune of $120 to 130 million every year in frauds, thefts, shoplifting, vendor frauds or inaccurate supervision. It highlights shortage of skilled manpower as another obstacle in the process of organized retail growth.

4. *Highlights of the Fact finder/conclusion;*

- ✓ *The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors,With growing market demand, the industry is expected to grow at a pace of 25-30% annually. India's consumer market is expected to grow 3.6 times from an estimated USD 991 billion in 2010 to an estimated USD 3,584 billion in 2020.*
- ✓ *Between 2001 and 2010, the rich consumer class increased by 21.4 per cent, while the middle class increased by 12.9 per cent. With a growing middle class, rising GDP and disposable incomes, there is a notable change in the spending pattern of Indian consumers.*

- ✓ *food retail trade is the largest segment of the retail industry in India. At present, more than 40 per cent of consumer spending is on food, but this is expected to decline to 25 per cent by 2025, while spending on non-discretionary items like wellness products is expected to rise*
- ✓ *India has 209 million households, of which the 6 million classified as 'rich' have annual incomes of over USD 4700 and 75 million classified as 'consuming' have annual incomes between USD 1000-4700. They spend around USD 18 billion annually. An estimated 1 million households at the top of India's income map constitute the 'super-rich'in the country. Growing by 20% every year, this segments'buying behaviour is in line with its corresponding international segments.*
- ✓ *The real driver of the Indian retail sector is the bottom 80% of the first layer and the upper half of the second layer of the income map. This segment of about 40 million households earns USD 4,000-10,000 per household and comprises salaried employees and self-employed professionals.*
- ✓ *Retailing in India is progressively inching its way toward becoming the next boom industry. It has emerged as one of the most dynamic and fast growing industries accounting for over 39% GDP.*
- ✓ *the retail sector is expected to grow almost three times its current levels to $660 billion by 2015. It is expected that India will be among the top 5 retail markets then. The organized sector is expected to grow to $100 bn and account for 12-15% of retail sales by 2015*
- ✓ *The unorganised retail sector has employed about 22 million workers in 2012 and it has increased from 18 million in 2001. In contrast, the organised retail employs less than a million workers. Overall, the retail sector is the second largest employer after agriculture in India.The unorganised retailing accounts for more than 90% of all retail trade in India*
- ✓ *Informal Relationship between the traditional retail stores and the consumers is also an important feature of India's retail sector. The repeated interactions with customers who live in geographically proximate locations generate mutually beneficial trust in exchanges. The customers are often able to obtain their consumables on credit and the stores earn customer loyalty.*

- *India falls nine spots in the GRDI to 14th; its previous low ranking was 6th place in the inaugural Index in 2002, and it was first as recently as 2009. High operating costs, low bargaining power with vendors, and heavy discounting to improve sales have affected profits and expansion plans. Real estate cost and space availability also remain important issues.*
- *The retail sector contribution to GDP though highly significant,yet organized retailing is still in an under-developed early stage at only 6% of total market (2005) when compared to other countries.*
- *Infrastructure is the weakest link in India's path to progress and there is an urgent need to address issues plaguing this area. Urbanization is driving an increasing need to upgrade or create infrastructure facilities. With close to 80 per cent of the goods being transported by road, the country needs a more robust road network.*
- *The challenge to the retail is the requirement of heavy initial investments which leads to difficulty in achieving break even and this is the reason that many of these players have not tasted success so far. If addressed urgently and seriously, infrastructure can translate into India's biggest opportunity.*

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