

The great Indian retail saga

All the biggies in the international retail chain are waiting in the wings to snatch a piece of the retail pie writes **Shanker**

Just like a lengthy soap opera, it has been unfolding for almost a year. Each episode brings a new development. The Indian public has been lapping it up in right earnest. And a quiet revolution is brewing in the Indian retail space.

Every industry major worth its salt is putting money into retail ventures tempted by the thickening pay packets of the spending public. Why not? For, statistics show that retail industry accounts for 10 per cent of the GDP of India, which is projected to grow at 8 per cent.

The appearance of the \$20 billion Reliance Industries Ltd, India's largest private sector player, in the retail space, everyone thought, was the ultimate. But telecom heavyweight Bharti Enterprises has struck a deal with world's largest

retailer Wal-Mart to go one up. Will it herald a flow of leading foreign retailer chains to India? Well, one has to wait and watch.

The share of organised retailing is about 3 per cent of the total retail industry in the country estimated to be around \$300 billion. It is still dominated by the unorganised sector. But organised retail sector is predicted to grow at over 20 per cent annually and touch \$23 billion by 2010 indicating that there is room for more players.

It is this massive scope of the retail industry that is prompting leading brands like Reliance, Tatas and Birlas to take the plunge and try their luck. The existing retail kings Pantaloon and Shoppers' Stop are unfazed by the development for they feel the huge domestic market with rising consumer spending is hardly even-stretched now and hence is capable of absorbing

much more.

The entry of Wal-Mart had been in the air for some time. So it comes as no surprise. The French retail giant Carrefour and the UK-based Tesco are already in talks with Indian companies to set foot in the country. The Gulf-based Emke Group with its popular Lulu hypermarkets has targeted Kerala to open its account.

Of all the factors, none has energised the organised retail sector than the entry of Reliance Industries Ltd., one of the leading private sector players in the country. The RIL Chairman Mukesh Ambani announced investment of more than \$2 billion into its retail venture called Reliance Retail Ltd. at the company's annual general meeting (AGM) on June 27, 2006.

He also promised to spend over \$5 billion in the coming years in RRL, the wholly owned subsidiary of Reliance to cover 1500 cities. The company began its foray into retailing by opening Reliance Fresh, dealing in dairy products and grocery, in Hyderabad in October.

Unlike other retailers, Reliance has gone for non-metros because of low rentals. After Hyderabad it is planning to move to Chennai. It has zeroed in on Ahmedabad to start the hypermarket chain.

Perhaps drawing inspiration from Reliance's arrival in the retail scene, Birlas and Tatas have also declared their plans.

The Aditya Birla Group comes with next biggest investment after Reliance. It will shell out over \$1.3 billion in the next three years. Starting from 2007, it will have 6000 stores during the period with major focus on food, grocery and lifestyle



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BOOM TIME: One of the many retail chains operating out of Mumbai

garments. Tata Sons director R.K. Krishna Kumar had recently made it clear that the company's debut in consumer durables product retailing through its arm Infiniti Retail will cement Tata's presence in the ongoing retail revolution.

Tata will pump in \$80 million in the retail venture to set up 100 stores in the next few years selling a range of electronic products and brands. It has already begun the retail voyage from Mumbai. It has technical support of Australia-based Woolworths Ltd. in the venture.

Lording over the retail scene in the country currently is Kishore Biyani-led Future Group. The group, started as a garment manufacturing company almost 20 years ago, entered modern retail with Pantaloon Retail outlet in Kolkata in 1997. It has now grown into a retail giant with 140 stores across 32 cities in the country, which includes hypermarket chain Big Bazaar, supermarket chain Food Bazaar and malls called Central. In a recent interview, Kishore Biyani said Pantaloon may sell stakes in some of its units to partly fund 4000 stores it aims to open by 2010.

He plans to spend \$1 billion to stave off challenge from the new entrants, particularly Reliance. Biyani reckons that the cushion of substantial acquired retail space in the backdrop of rising rentals will give him a head start over others. Pantaloon Retail (I) Ltd, which clocked gross sales of \$410 million for the financial year ended June 2006, operates through close to 4 million sq ft. of retail space.

Keeping pace with Pantaloon is the Raheja Group retail firm Shoppers' Stop. This member of the global entity of the Intercontinental Group of Department Stores has 20 lifestyle and 33 Crossword outlets. It has also introduced value retailing business with Hypercity. The group plans to extend its retail space six times to over 6 million sq ft. in three years. Managing director and CEO B.S. Nagesh has also announced his intention of expanding footprint to tier 2 and 3 cities in the country.

The Top Five

Company	Investment
Wal-Mart - Bharti	Yet to announce
Reliance	\$ 5.5 billion
Aditya Birla Group	\$ 3.3 billion
Pantaloon	\$ 1 billion
Tatas	\$ 89 million

Source: The Economic Times



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RETAIL TALE: A billion consumers and more

The galloping retail bandwagon is expected to have significant impact on the employment scene in India. "Our new business will generate one million jobs," said Mukesh Ambani at the time of the company's AGM. Pantaloon currently employs over 14,000. Now with Birlas and Tatas in the fray, it is good news for job seekers. There are several big and medium retail players who are doing brisk business, be it in consumer products or in fashion apparel. They include Trent, Titan, Wills Lifestyle, Raymond, Café Coffee Day, Provogue, Trinethra etc.

As for foreign retail majors, Wal-Mart's arrival has come even as they have been waiting for a clear-cut foreign direct investment (FDI) policy. At present 51 per cent FDI is allowed in single brand retailing and they are hoping that it would be extended to multi-brand outlets.

The global players have been entering India through licensee or franchisee route. Wal-Mart is no different. Bharti Enterprises will be the franchisee of Wal-Mart in India and will own the retail shops in the country. Bharti Enterprises chairman and group managing director Sunil Mittal has described the union as a joint venture of equals. The rollout of retail shops is slated to begin from August 15, 2007.

In the Asian region, Wal-Mart has presence in China and Japan. It was only a matter of time it came to India, the second fastest growing economy after China. Most of the globally famous brands like Nike, Levis, McDonald's,

Domino, Benetton, Swarovski, Tommy Hilfiger, Revlon, Marks & Spencer, etc. have been operating from big cities, mainly from shopping malls, through franchisee route.

The Dubai-based Landmark Group and Abu-Dhabi-based Emke Group could be other big ticket foreign investors in the country. The \$65 million Emke Group has its Lulu hypermarket chain spread over all the Gulf countries. chairman M.A.Yusufali, a Keralite, has preferred to start his retail foray from his home state. He has identified Kochi for starting the first Lulu hypermarket in India. One factor which can be a stumbling block before the organised retailers, could be quality retail space. In the face of surging rentals in metros, this is definitely something the players have to grapple with. This may not be a problem for established retailers like Pantaloon, who have been in the scene for several years.

Pantaloon is learnt to have blocked 10 million sq ft. of space at reasonable rental for its future expansion. It is aiming for 30 million sq ft. by 2010 while Reliance is targeting something like 100 million sq ft. in three years. But even established players cannot remain complacent and have to be constantly on the lookout for retail space or they will be left behind in the retail juggernaut.

No wonder many new comers are looking to start with smaller cities and towns and gradually work their way to the big cities.