

INDIAN RETAIL INDUSTRY

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Introduction to Indian Retail Sector

Indian retail industry has demonstrated intense dynamism in recent years and is growing at a rapid pace. It contributes 10% to the country's GDP (Gross Domestic Product) and 8% to its total employment. While unorganized retail forms over 90% of total trade, the share of organized retail is showing tremendous growth across top cities. This retail development is expected, not just in metros, but also in Tier II and Tier III cities. Expenses incurred in consumption in India is estimated to reach USD 3600 billion (Rs 2,58,02,640 crores) by 2020 from USD 1824 billion (Rs. 1,30,73,337.60 crores) in 2017. Exponential growth in online shopping, mall culture, shop in shops, higher disposable incomes, rise in the number of the millennial workforce, and changing consumer expectations and lifestyle are the drivers for this tremendous growth. India stands fifth in terms of global ranking of retail industries.

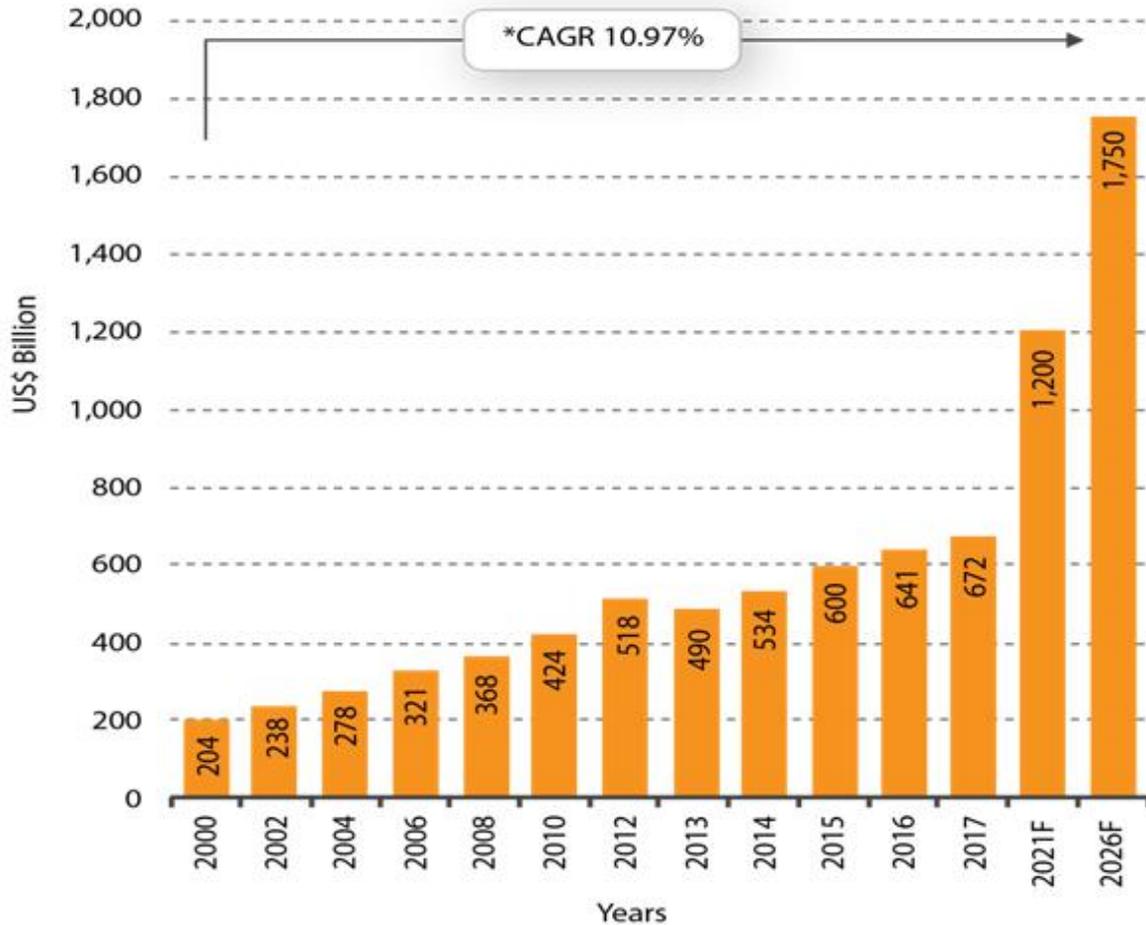
Market Overview

The sharp rise in the consumption patterns of Indians has cleared the path to unprecedented growth in the retail industry from USD 672 billion (Rs. 48,15,484.80 crores) in 2017 to an estimated USD 1200 billion (Rs. 85,99,080 crores) in 2021. A surge in on-line retail is the most significant contributor to the flourishing retail industry. According to a study by Statista Research Department, online retail sales will reach USD 45 billion (INR 3,22,409.25 crore) by 2021 from USD 16 billion (INR 1,14,634.40crore) in 2016. The share of the retail market is expected to jump substantially to 18% in 2021, from a mere 9% in 2017. Online retail has a share of 4% of the total retail sales and will reach 7% of the overall market by 2021. Increase in disposable incomes, increased internet penetration, the launch of the 4G network, and growing investments have led to the fast growth of the e-commerce market. India is expected to achieve the status of the third-largest consumer economy in the world, reaching a figure of USD 400 billion (Rs. 28,65,860 crores) in consumption in 2025.

The Indian luxury market is estimated to rise from USD 30 billion (Rs. 2,14,939.50 crores) in 2018 to USD 50 billion (Rs. 3,58,195 crores) in 2020. The rapid spread of the internet, a growing number of millionaires and disposable incomes, rising aspirational mindset of consumers in Tier II and Tier III cities have supported the upward trend in the sale of luxury goods to Indian consumers.

The buoyant mood is further propelled by the government's allocation of USD 1.65 billion (INR 11,893.83 crore) to commerce and industry in the "Union Budget 2019-2020."

Market size over the past few years



Major Trends

The retail industry in India is inclining toward some key developments.

Experiential retail: The convenience of online retail has put additional pressure on traditional brick and mortar retail to innovate, customize to bring the customer into the shop for an in-store experience. Experiential retail provides exclusive experience at the physical store that plays on customer emotions and fosters brand loyalty. For instance, augmented reality that allows customers to see how clothes and jewelry will look on them before they make a purchase.

Omni channel to Phygital: Omnichannel is now shifting towards 'Phygital' – a merger of traditional and digital retail. Retailers are offering a seamless experience, both online and offline, in a bid to retain customer loyalty.

Hyper personalization: Customer behavior data, demographics, and brand performance, are exalting customer-retailer relationship to new levels. Customers can walk into a store and check the history of buying, preferences, which can assist a salesperson in helping them purchase. A customer may encounter a virtual fridge stocked with customer's favorite food while buying groceries. Or a voice-command aided smart speaker that orders the customer's favorite coffee while he or she browses.

Automated retail: The retail industry is making slow progress towards automated retail, which includes vending machines, unmanned kiosks, unattended grocery stores. For example, automated physical kiosks at apartment complexes containing groceries and consumables or smart shopping carts that guide customers to buy items on their list and enable self-checkouts. Smart displays, smart shelves, supply chain optimization, logistics automation, brand optimization options are other technological devices changing traditional retail. Online payments, wallets, online credit cards have added to the convenience of online shopping.

Social media strategies: Social media has changed the quality and style of interaction between retailers and consumers. Social media strategies are claiming the lion's share of marketing budgets to target the growing millennial workforce. Influencer campaigns constituting social media, and content marketing have seen a significant spurt.

Technology- As a Game Changer

Mounting competition has made it imperative that retailers up their innovation strategies and implement avant-garde technologies to retain the customer base.

Omnichannel: Omnichannel provides a seamless online and offline experience to customers. With the rise of internet usage, even to Tier II and Tier III cities, and technological innovations, omnichannel retail adaptation has facilitated personalized customer experiences.

IoT (Internet of Things): IoT refers to a network of connection between internet-enabled devices, including people, items, services, machines. This connectivity reorganizes the flow of information and enhances customer experience with real-time decisions. IoT applications in retail could be automated checkouts, personalized discounts, beacons, smart shelves, instore layout optimization, supply chain management optimization.

SMAC (Social, Mobile, Analytics & Cloud): Retailers are making increased use of SMAC to improve customer experience, increase sales, and retain their trust and loyalty.

Social commerce: Brands and retailers use social media channels to target new demographics.

Mobile-based technology: refers to mobile responsive websites, mobile self-checkouts, mobile wallets.

Cloud solutions: Cloud-based technologies offer a resolution to reduce hosting costs and escalating productivity.

Analytics: Analytical data on inventory, demand, supply, consumer preferences are crucial for marketing strategies.

SMAC is driving innovation, maximizing reach, minimizing outflows, and restructuring the meaning of customer experience in retail. Investments in advanced instore technologies are reshaping the relationship between retailers and consumers.

Big Data: Big Data provides valuable insight into customer buying patterns, trends, the popularity of a product that helps retailers offer customized services. Big Data is impacting business models in retail, including branding, product management, pricing, and placement. Visual analytics captures video feeds from the store to extract data on customer demographics, heat mapping, footfall trend, etc.

Virtual Reality (VR) and Augmented Reality (AR): VR and AR are set to change the future of shopping by introducing an interactive shopping experience. They provide a virtual ‘touch and feel’ of the product before purchase; multiple layered customer entertainment experiences with digital theme parks; educate the customer to make informed choices.

Chatbots: Chatbots engage customers and drive sales in online and offline retail. They provide new item notifications, assist in locating items, speed order processing, offer excellent personalized customer service.

Growth Drivers

Changing demographics, healthy economic growth, increasing disposable incomes, urbanization, changing consumer tastes, and preferences are the vital growth drivers of the organized retail market in India. Increasing spread of internet usage and ownership of smartphones is a key factor influencing the exponential growth in the retail industry. India’s internet usage penetration has currently crossed the 500 million mark and is expected to touch 666.4 million by 2023. Internet access is majorly through smartphones, with 320.57 million smartphone internet users in 2016. This figure is estimated to reach 492.68 million by 2022. Millennial workforce, which accounts for 48% of the total workforce, presents the new face of Indian consumer with high disposable incomes

Investment Opportunities

According to DIPP (Department of Industrial Policies and Promotion), the Indian retail industry has received a total FDI of USD 1.66 billion (Rs. 11,735.37 crores) during April 2000–March 2019. With the liberalization of FDI, 51 % FDI in multi-brand retail and 100 % in single-brand retail, international giants have found India a favorable market for investments. The proposed relaxation of mandatory 30% local sourcing of products by single-brand retailers with FDI above 51%, is an encouraging move. GST (Goods and Services Tax) has brought a single framework of taxation procedure, making India an attractive proposition for entry of foreign brands in the Indian retail market. Total investments in the retail sector reached USD 180.18 million (Rs. 1,300 crores) in 2018. Global retailers like GAP, Tesco, Walmart have upped their sourcing from India, lending further boost to the industry.

Major Players

D-Mart: Avenue Supermarts Limited or D-Mart began in 2002, has 170 stores across the country and offers home and personal products. D- Mart went public, with an IPO (Initial Public Offer) in 2017.

Future Retail: Founded in 2006, it is one of the leading retail company in India. It offers a wide range of products like groceries, apparel, footwear, electronics. It operates two retail formats- value business and home business. Under the value business, Future Retail owns Big Bazar, Food Bazar, FBB, Foodhall. Under home business, it operates Home Town for home products and eZone for electronics and consumer durables.

Shoppers Stop Ltd: Founded in 1991, this top retailer sells apparel, footwear, handbags, accessories, home improvement products, health and beauty products, jewellery, cosmetics, watches.

Trent Ltd (Westside): Founded in 1998, the company is a part of TATA Group. It has three retail formats- Westside, Star, and Landmark and operates in 60 cities across 90 stores.

V Mart Retail Ltd: Founded in 2002, it operates in 174 cities, across 17 states. It operates in three verticals – apparels, general merchandise, and Kirana bazar.



Road Ahead

Ecommerce is expected to continue its rapid expansion and further revolutionize the retail market in India. By 2021, the estimated market share for traditional retail is 75%, for organised retail is 18% and for e-commerce is 7%. Retailers must grab the opportunity to ride high on the e-commerce wave, save costs, and increase penetration deeper into rural markets. Availability of finance, advanced technology in retail has positively impacted export revenues, tax collection, and employment.

Conclusion

The retail industry in India is undergoing tremendous transformation at breakneck speed- newer technologies, store formats, new business strategies, and hyper-personalized customer experience. Retailers are evolving along with customer perceptions and expectations and setting sights far beyond traditional retail.

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With Best Regards,

Team JPC

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