

India's Retail Revolution



These days I seem to be spending every other week in India, resulting in my expanding middle. On a recent busy Friday, at the checkout desk of the hotel in Bombay, there were two harried BPO/KPO management type firangs ahead of me with their busy looks and ubiquitous notebooks and both of them were coming back the next week to resume their supervision of their young Indian IT coolies – one on a Wednesday and the other on a Tuesday, from whichever country they were off to for the weekend.

Given the “Work is my life and family, what family?” mentality of today’s 30- and 40-somethings, I can only hope they were heading back home and not to the sun-baked deserts of Dubai where they were on duty through Saturdays and Sundays!

Since I believe in balance (both in the bank and in life), the wife and I headed to Manali and drove up to Leh, truly a trip for the gods. After my recent sojourns in Uttaranchal, Himachal Pradesh and Ladakh, I see no difference between the fjords of Norway or the mountains of Switzerland and these ethereal places in India except the currency notes that these countries efficiently separate from you at every mountain pass and chalet!

With the terrific Major Khanduri at the helm, Uttaranchal is set to become the destination of the future in mountain travel. The warmth of the Garhwalis and the smiles of the Ladakhis are magnificent stress busters. The stunning, even awesome Manali-Leh Road closes in mid-September so I urge everyone

who has the time to just do it!

Anyway, it was on one of these gorgeous drives that I had a “retail epiphany” of sorts: I found a mega mall with all the leading brands in a “C” class town out in the boondocks - a sign of the times.

The retail avalanche

The news is out! India is shopping. Or, if you look closely, Indians are going to the movies more often in sexy, glossy, huge malls and shopping, eating, gawking, ogling on the way in and out to the ubiquitous multiplexes which are always on the nth floor of these malls.

The list of the players entering India is a who’s who of retail royalty – Walmart/Bharti, Reliance Fresh & Retail, Birlas, Tatas, Rahejas, RPG, Pyramyd, Pantaloon, Carrefour, Landmark, Tesco, Argos et al. It looks like it’s a great time ahead for corporatised, highly efficient, value-driven retail India. So good bye GUM, Hello Macy’s! Adidas is talking about launching a retail “university” to train youngsters to smile better and be more patient with customers.

Reliance is launching electronics mega malls called Reliance Digital, the Aditya Birla group is planning shops called More and discounter king Subhiksha is eyeing king-sized profits with a turnover of Rs 30 billion and up to 1000 stores by



end 2007.

The “Retail King” of India has just published his autobiography which is prominently placed at the cashier counters of all the Big Bazaars (both as a metaphor and a marketing masterstroke), while Dubai based Damas has stores targeted at newly-weds. I wager that the most popular words in the lexicon of circa 2020 will be mega, hyper, arcade, multiplex, sale, INOX/IMAX, flagship and anchor, as most youngsters today find salvation in glass palaces bearing these names on their marquee.

But some industry insiders in their distinctly un-mall-like offices are beginning to question the sustainability of these malls.

Where’s the revenue?

Walk into any mall as a lay buyer and see the low-revenue-generating footfall (that is, number of shoppers) in any store. Many malls are far behind their

completion schedules and developers already claim that the return on investment (ROI) is not as attractive as it is made out to be while retailers and Investors feel they are the actual losers.

India has been ranked the fifth largest emerging market for the retail sector with a predicted 20 per cent year on year growth for the organised sector. There are around 140 malls in the country as of mid 2007 and the estimate is that even today, the country can actually support more than 1000 malls and shopping centres in more than 500 towns (and cities, of course)

Though the malls and large format grocery stores may be crowd-pullers only 10 per cent are top end consumers who actually shop at the fancy branded boutiques in these malls. An overwhelming majority of the Indian consumers still feel uncomfortable shopping in a sanitised, air conditioned, steel and glass environment.

However, the undeniable fact is that the retail industry in India is passing through a period of profound and accelerating change with consolidation and competition quickly shaping one of the world's biggest mall markets. The bonding of success in these businesses with consumer confidence and spending is yet to take off significantly and the ultimate winners will be those who continue to provide an unbeatable value proposition to their customers.

This is where I see the greatest weakness in today's malls. The dirty little secret the fat-cats of the retail industry don't want you to articulate is this: "They are all so alike!" There is a mind-numbing, wallet-freezing "sameness" to the more than 10 malls in Bombay, Delhi and Bangalore that I checked out while researching this article.

Some of them aim to look like like a Vivocity (Singapore) or Ibn Battuta (Dubai) or Times Square (New York) from the outside and end up doing a pale Mohammed Mustafa (Singapore) imitation on the inside. The products, brands, half-price sales, overall look, food courts with the inevitable gelato stall, dependence on Bollywood (via the mandatory cineplexes on the top floor) to bring the janata in, the lackadaisical security checks... one mall could

easily be the next one. No change. No difference. Just one idea, one theme spread out over different locations by different developers.

Do it different

So, the challenge today, is how do you create "destination malls", a sort of Integrated Resort a la Singapore (minus the gambling, which only the retailers are doing in this case) where the main attractions change periodically and have enough appeal in drawing diverse crowds, the type that actually buys something. These will need strong anchor tenants, great themes for the Indian consumers with shops built around this proposition, and with something for everyone in the family, every age group and income level.

Technical parameters in some Indian malls need to improve significantly as well. One of the most hyped malls that I visited recently in Bombay's Andheri looked like a retro 1980s Palika Bazaar inspired on the inside by ideas from a prominent Hong Kong building – Chungking Mansions, And to think I had to subject myself to a security check for this!

Indian stores' visual merchandising, in-store displays etc, need to reach out and grab customers by the neck. The attitude of the army of shop assistants – who seem to be all over the place and always watching you like Big Brother – needs to become more relaxed, truly interested in helping novice yet nouveaux riches customers make sensible buying decisions. They are the ones who will come back with fatter wallets, thirsting for more.

The Indian economy's current growth rate of 8-9 per cent can actually exceed Japan's by 2032. Think about that. It is investing over US\$130 billion in infrastructure by 2010.

Current investment in retail sector already exceeds Rs 200 billion. India has nearly 800 million people below 45 years of age. That's a world-beating asset which is shaking up many a First World country. About 150 million Indians will be in the "high value middle class" demographic by 2012 which is enough to establish India as one of the largest

consumer markets globally. Retail spend in housing, travel, education, higher end automobiles electronics, DIY, fashion and lifestyle is set to take off.

India's merchandise exports grew by 23 per cent to touch a record level of US\$102 billion during 2005-2006 and is on course to cross US\$120 billion by 2007. The real estate mega-boom of these past few years will propel the economy further. The experiments in retail will continue with more speciality stores, departmental stores, hyper markets, conveniences stores, supermarkets, highway malls etc sprouting up like new weeds next to national highways in tier II and tier III cities.

Mall fatigue growing?

With 360 more malls on target to open their doors by December this year and mall fatigue already resulting in the closure of some suburban malls, the burning question are: Is this the beginning, or the beginning of the end of this proliferation? Will 2008 be the year of consolidation and quality upgrading? Is the future of malls going to be as rosy as we have discussed merely based on demographics? And frankly, are retailers keen to be part of malls or will they go on their own?

The other big challenge for the industry has been finding people at all levels – specially the types these corporates like to hire. While the ever obliging FMCG (fast moving consumer goods) industry has produced many of the first generation of Retail India's leaders, the problem, as always, is finding the legions of middle management and foot soldiers.

These are great questions to debate. It is always so much more fun to have problems of plenty than of too little. Let's see what happens in 2008. In any event, both investors and retailers are in for a roller-coaster ride with the consumer's hand on the on-off switch. No matter what, it is getting more and more exciting just to cruise the highways in India. Who knows, you just might stumble on the next sparkling mega mall in the heart of rural Apna Desh! **is**

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