



Indian Retail Industry – Consumer is the king

Retailing, in a layman's language involves the procurement of varied products in large quantities from various sources/producers and their sales in small lot for direct consumption to the purchaser. Retailing can broadly be classified into: organised and unorganised retail. Unorganised retailing refers to the traditional form of retailing with the retail outlets situated near the residential areas while organised retailing refers to the modern form of retailing with trading activities undertaken by licensed retailers generally located in commercial establishments/high-street areas.

Globally, the retail industry has grown at a brisk pace with a Compounded Annual Growth Rate (CAGR) of 7.77% during the period 2001-2006. The growing expanse of the top global retailers has ensured globalisation of the industry; however the opportunity for growth of organised retail is immense in countries such as India, S. Korea, Vietnam etc. where organised retailing is still at a nascent stage.

The Indian retail industry has witnessed a massive transition during the last few decades. The Indian retail has grown at a CAGR of 11.2% during the period FY04-FY07, with food and grocery accounting for the major share. Despite the industry being dominated by the unorganised retailers, the organised retailing revenues have soared at a CAGR of 19.5% during the period FY04-FY07. The apparel & footwear segment occupies the major share in the organised retail pie.

The Indian retail industry has strong linkages with the economic growth and development of the economy. It is primarily characterised by its hierarchical growth structure, high working capital requirements etc. The factors such as rising urbanisation, growing consumer class, growing per capita expenditure, greater interest evinced by the Venture capitalists / Private equity firms in the industry etc. have been driving the growth of organised retail.

The growth of modern retailing has led to the emergence of varied formats such as Departmental stores, Supermarkets etc. In addition, few other formats such as rural retailing, E-retailing, luxury retailing etc. too have found favours with the Indian retailers. Each format being distinct from the other, the viability of their operations depends upon various factors such as average footfalls, sales per sq.ft etc. However the numerous licensing requirements as compared to other countries have proved to be a bottleneck in the growth of Indian retailing.



CARE Research has further identified the requirements, advantages and disadvantages associated with the organised as well as unorganised retailing in India. On the basis of a detailed analysis incorporating the experience of other retailing locations across the globe, CARE Research feels that the co-existence of the organised and unorganised retailing in the Indian context cannot be denied.

To estimate the size of the Indian retail industry and the penetration levels of organised retail in the urban and rural Indian markets for the period FY08-FY11, CARE Research has evolved out an industry model incorporating three different scenarios i.e. Optimistic, Most Likely & Pessimistic. CARE Research expects that with the growing reach of modern retailers in the rural and urban areas, the penetration level of organised retailing would continue to grow, thereby resulting in the organised retail growth, surpassing the growth of total Indian retail during the period FY08-FY11.

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