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TRADING PLACES

STORE DENSITY OF MODERN RETAIL IN INDIA

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cover story

Trading Places

A STUDY BY ASIPAC CONSULTANTS TRACKS THE TRADING DENSITIES OF MODERN RETAIL FORMATS IN INDIA.



→ India has been consistently ranked among the top two most attractive retail markets on the planet by AT Kearney for the past five years. The total retail market size in calendar year 2009 was US\$450 billion in real terms, making India the world's 7th largest retail market (it is the 4th largest in PPP terms).



Most analysts expect the 11.2 per cent CAGR (compounded annual growth rate) of the last six years to continue for at least another 20 years. With this growth, the total retail market (in real terms) is expected to cross Germany's market next year, France in 2012, UK in 2013 and Japan in 2020, only 10 years from now.

Of the total market, modern retail (or formal retail) constituted only 7.8 per cent, or US\$35 billion. Despite the 35 per cent CAGR of the last five years, the 7.8 per cent share is still low compared to global standards, and thus still has a huge future growth potential. The table below shows some international comparisons.

As is obvious from the above table, modern/formal retail in India still has tremendous potential to grow. To reach a 15 per cent share of the total retail market in the next five years, modern/formal retail has to grow to US\$115 billion, at a CAGR of 27 per cent, which is very realistic, given the 35 per cent CAGR of the last five years.

Some experts even predict that modern/formal retail will continue to grow at a CAGR of 35 per cent to a market size of US\$ 155 billion in 2015. Whether 27 per cent or 35 per cent, as is evident, the growth will be high – in fact – VERY HIGH!

It is therefore not surprising that global retail giants such as Wal-Mart, Carrefour, Metro AG, Tesco, Spar,



Staples, Marks & Spencer, Esprit, Next, Office Depot, Debenhams and Cinépolis, amongst many others, have already come into India.

But how are Indian retailers performing vis-à-vis each other, and when compared to similar markets internationally? What is the trading performance of modern retail formats prevalent in the country today?

For an industry expecting to touch revenues of US\$100 billion within the next 3½ to 4½ years, it is imperative to better understand both, the market and the performance of the retailers, to know and analyse the average trading densities (TD) of various modern retail formats across the country, and also to compare Indian formats with a smaller yet similar and more mature international market.

The data presented in this study, along with the conclusions, will also help retail property owners and

developers to do research-led decision making, especially in selection and placement of retail stores in shopping centres (malls).

This study is the first in a series of research-led studies that

Asipac has planned on Indian retail in general and retail real estate in particular, some on our own and some in collaboration with other organisations. We sincerely hope that the findings of this study will touch and influence a majority of decision makers and others across the retail and retail real estate sector, and that they will find it useful. The value proposition for retailers is simple and straightforward – reliable market data and information

Market	Share of Organised (Formal) Retail
USA	85%
UK, France, Germany, Spain, Taiwan	75-80%
Japan, South Africa	67-70%
Brazil, Argentina, Malaysia, Thailand	40-50%
Russia, Indonesia, Philippines	33-38%
Eastern Europe	24-32%
China, South Korea, Vietnam	18-23%
India	<8%

Sources: Businessworld Marketing Whitebook 2009-2010, ICRIER Retail in India

will lead to capex savings, better yields and wiser decisions. We also hope and expect that, in the future, retailers will be more forthcoming in sharing data and will help us in updating this study on a regular basis.

The data is presented in a fairly simple and easy to understand format. The data numbers pertaining to trading density range and the average trading densities are given in Rupees psfpm (per square foot per month).

METHODOLOGY

The data for this study was collected by Asipac consultants through direct contact with senior management executives of more than 130 retail formats active in India (including more than 75 per cent of the brands/retailers/formats listed in the various tables in this study) throughout 2009.

The data pertains to both, shopping centres (malls), as well as high streets or main streets, only for the Top 20 cities of India, for the second half of FY 2009. Asipac senior management verified the data by cross-checking almost 40 per cent of the figures, and is reasonably satisfied with the accuracy and reliability of the figures presented.

IMPLICATIONS / OUTCOME

- This study was undertaken in order to achieve the following objectives:
- To understand retailer performance in absolute terms.
- To understand the relevance of

trading density (TD) and box size in retail real estate – what should a developer actually build in a new shopping centre?

- To help retail property owners, especially shopping centre developers, now make informed and research-based decisions, especially on store placement.
- To understand the relevance of trading density (TD) and box size in retail – what size can a retailer really afford, or what is the right box size for best yield/ROI?

BENCHMARK COMPARISON WITH A MATURE RETAIL MARKET

In India, modern chain store retail is just 18 years old (if one discounts Bata, which is clearly a front runner in the branded footwear EBO category), beginning with the first Shoppers Stop outlet in Andheri, Mumbai. In comparison, modern retail in the Republic of South Africa (RSA) is 81 years old. Edgars started in 1929,



ETHNIC FASHION IS A BIGGER STORY THAN WESTERN FASHION. THE STUDY REVEALS THAT THE TRADING DENSITY OF ETHNIC FASHION IS MORE THAN DOUBLE THAT OF WESTERN FASHION – THIS MAY COME AS A SURPRISE TO MANY PEOPLE, ESPECIALLY THE MNC BRANDS.

Truworths in 1935, Pick N Pay in 1967 and The Shoprite Checkers Group in 1979. Many South African retailers today have large scale operations throughout the African continent.

The first 400,000-plus square feet mall in RSA opened back in 1966. There are no FDI restrictions or similar legislation preventing foreign retailers from operating in RSA. The



Retail Format / Category	Example of retailer in this Category	Trading Density Range (psfpm)	Average Trading Density (psfpm)
Jewellery – Gold & Diamond	Tanishq, Reliance Jewels, Gili, Local brands	6000 -11000	Rs. 8,500
Mobile Boutiques	The MobileStore, Nokia, One Mobile, Axiom Telecom	5000 -8000	Rs. 6,500
Electronics Speciality	Apple, Sony, Bose, LG, Samsung	3000 -7000	Rs. 4,500
Jewellery - Fashion	Nirvana, Several local brands	3000 -5000	Rs. 4,000
Watch EBOs	Omega, Rado, Tissot, Swatch	1800 -3500	Rs. 2,500
Health & Beauty	Health & Glow, NewU	1500 -4000	Rs. 2,400
Electronics Megastores	Croma, Reliance Digital, X-Cite, E-Zone	1700 -3000	Rs. 2,250
Pens & Personal Accessories	William Penn, Editions	1800 -3000	Rs. 2,250
Watch MBOs	World of Titan, Helios, Ethos, Time Factory, Zimson	1600 -2800	Rs. 2,100
Ethnic Fashion -Traditional (South India)	Kalanjali, Vijaylakshmi, Neerus, Soch, Pothy's	1500 -4000	Rs. 2,000
Pharmacy	Guardian, Trust, Manipal C&C, Apollo, Religare	1500 -2100	Rs. 1,800
Leather Bags & Accessories	Hidesign, Calonge, Esbeda, Holii, Blue & Blues	1300 -2700	Rs. 1,700
Footwear	Metro, Mochi, Bata, Regal, Rocia, Aldo	1250 -4000	Rs. 1,650
Fashion Accessories – Men	Neckties & More, Addons, Tie Rack	1400 -2200	Rs. 1,650
Ethnic Fashion - New Generation	Biba, Jashn, W, Global Desi, Satya Paul	1100 -2250	Rs. 1,600
Grocery Stores	Food Bazaar, More, Reliance Fresh, Spencer's	1200 -1800	Rs. 1,500
Denim Apparel	Levi's, Lee, Wrangler, Pepe	1200 -2000	Rs. 1,500
Quick Service Restaurants	McDonald's, Pizza Hut, Taco Bell, Nirula's	1250 -1650	Rs. 1,500
Gift Shops	Archies, Hallmark, Gift Express, Nik Nish	1250 -1750	Rs. 1,400
Sports Lifestyle EBOs	Adidas, Nike, Reebok, Puma	1100 -1600	Rs. 1,350
Supermarkets –10,000 to 35,000 sft	Spar Supermarket, More, Total	1100 -1500	Rs. 1,300
Eyewear – Prescription & Other	Vision Express, Foresight, Sunglass Hut, Himalaya	1100 -1700	Rs. 1,250
Hypermarkets >35,000 sft	Spar Hypermarket, HyperCity, Star Bazaar, Big Bazaar	1000 -1350	Rs. 1,150
Restaurants (Casual Dining)	Rajdhani, Several Local Brands	850 -1200	Rs. 1,025
Office Supply & Equipment	Staples, Office Depot	700 -1100	Rs. 900
Western Fashion – National	Madura, Arvind Brands, Indus League, Zodiac, AND Designs	600 -1200	Rs. 900
Large Department Store >30ksft	Lifestyle, Shoppers Stop, Pantaloons	700 -1100	Rs. 850
Bookstores	Crossword, Oxford	700 -1100	Rs. 850
Sports MBOs	RSH, Planet Sports	700 -1000	Rs. 850
Western Fashion – International	Tommy, Benetton, Alcott, Celio, Lerros, Oviessse	550 -1150	Rs. 850
Small Department Store (10k to 25k sft)	Westside, Reliance Trends, Marks & Spencer	700 -1100	Rs. 800
Restaurants (Fine Dining)	BJN Group, Mainland China, Great Kebab Factory	600 -900	Rs. 750
Ice Cream, Juices	Baskin Robbins, Kwaliti Walls, Booster Juice	500 -1000	Rs. 750
Leisure Megastores	Reliance Timeout, Landmark, Odyssey	450 -800	Rs. 625
Beauty Salons, Hairdressers	L'Oreal, Lakme, several local brands	500 -750	Rs. 625
Coffee Shops	Café Coffee Day, Barista	450 -750	Rs. 600
Furniture & Home Megastores	Home Centre, @Home, Home Stop, HomeTown R-Home	400 -700	Rs. 550
Multiplex / Cinema	PVR, Inox, Cinepolis, Big, Fame	250 -450	Rs. 300
Family Entertainment Centres	Amoeba, Time Zone, Orama, Fun City	150 -350	Rs. 240

only barriers to entry are perhaps the political risk and the low availability of new retail spaces. American retailers are not very active in RSA because of the country's geographical location.

South Africa, with a population of only 49 million, has 21 super malls (> 1,000,000 square feet), with the largest being 2.8 million square feet and 48 mega malls sized > 500,000 square feet. In comparison, India has just nine mega malls, despite its 1.18 billion population. Clearly, it is a much more evolved retail and retail real estate market when compared with India.

Asipac has chosen South Africa (RSA) as a benchmark, as against the more popular Dubai, Singapore, UK or USA, because of the following reasons:

- RSA is an emerging economy, very similar to India in many respects. About 44 per cent of RSA's population lives below the poverty line, similar to 37 per cent in India. The per-capita GDP (PPP) of RSA is \$10,100 compared to \$3,100 of India.
- RSA is a multi-religion, multi-ethnic, multi-cultural society, just like India.
- Like India, RSA also faces urbanisation and infrastructure pressures.
- Dubai, Singapore, UK and USA are rich countries with much higher retail spending power. Besides, retail sales in most of these places (especially Dubai and Singapore) have a high percentage of tourist spending.

Due to the above reasons as well as several other (not so dissimilar) reasons, Asipac has always believed that the Indian retail (and mall) industry should use RSA as an international benchmark rather than



IT IS NOT SURPRISING THAT JEWELLERY (GOLD & DIAMOND) HAS THE HIGHEST TRADING DENSITY. HOWEVER, THIS CATEGORY HAS TOO FEW (LESS THAN FIVE) NATIONAL RETAILERS AND IS AN OPPORTUNITY CRYING TO BE TAPPED. THIS CATEGORY HAS THE POTENTIAL TO NURTURE AT LEAST FOUR TO FIVE NATIONAL CHAINS.

any other country. The information in the next two tables is based on this premise.

SUMMARY & CONCLUSIONS

We would like to summarise our findings as follows:

The modern retail industry in India is now quite evolved, with more than 500 established retailers (including foreign retailers) across 40-plus formats or categories.

It is not surprising that jewellery (gold & diamond) has the highest trading density. However, this category has too few (less than five) national retailers and is an opportunity crying to be tapped. The organised sector has

less than two per cent share of this US\$ 15 billion market, compared with eight per cent overall.

Fashion jewellery having the fourth highest trading density is not a surprise – this category may become the Trading Density leader in the next five to six years. Once again, this category has the potential to nurture at least four to five national chains.

The high trading density of mobile phone shops shows how this relatively new device has gained so much importance in our everyday lives.

We always knew Indians (like many other Asians) have a footwear fetish, it turns out that we are also crazy about electronics. What are our fellow Indians doing with so many TVs and refrigerators?

For a long time, Asipac has believed (and has been saying) that ethnic fashion is a bigger story than western fashion. The study reveals that the trading density of ethnic fashion is more than double that of western fashion – this may come as a surprise to many people, especially the MNC brands. A 2007 consumer market research study by Technopak had revealed that Indian women spend 41 per cent of their total apparel spend on ethnic wear compared to only nine per cent on western wear, with the percentages being similar across all income categories.

Retail Format / Category	Example of retailer in this Category	Average Trading Density (psfpm)	Benchmarked with RSA Average
Jewellery – Gold & Diamond	Tanishq, Reliance Jewels, Gili, local brands	Rs. 8,500	250%
Mobile Boutique	The MobileStore, Nokia, One Mobile, Axiom Telecom	Rs. 6,500	200%
Electronics Speciality	Apple, Sony, Bose	Rs. 4,500	150%
Jewellery – Fashion	Nirvana, Several Local Brands	Rs. 4,000	200%
Health & Beauty	Health & Glow, NewU	Rs. 2,400	75%
Electronics Megastores	Croma, Reliance Digital, X-Cite, E-Zone	Rs. 2,250	200%
Pharmacy	Guardian, Trust, Manipal Cure & Care, Apollo	Rs. 1,800	175%
Leather Bags & Accessories	Hidesign, Calonge, Esbeda, Holii	Rs. 1,700	100%
Footwear	Metro, Mochi, Bata, Regal, Rocia, Aldo	Rs. 1,650	185%
Fashion Accessories – Men	Neckties & More, Addons, Tie Rack	Rs. 1,650	100%
Grocery Stores	Food Bazaar, More, Reliance Fresh	Rs. 1,500	55%
Denim Apparel / Jeans	Levi's, Lee, Wrangler, Pepe	Rs. 1,500	100%
Quick Service Restaurants	McDonald's, Pizza Hut, KFC, Taco Bell	Rs. 1,500	80%
Gift Shops	Archies, Hallmark, Gift Express, Nik Nish	Rs. 1,400	150%
Sports Lifestyle EBOs	Adidas, Nike, Reebok, Puma	Rs. 1,350	90%
Supermarkets – 10k to 35k sft	Spar Supermarket, More Megastore, Total	Rs. 1,300	75%
Eyewear – Prescription & Other	Vision Express, Foresight, Sunglass Hut, Himalaya	Rs. 1,250	100%
Hypermarkets >35,000 sft	Spar Hypermarket, HyperCity, Star Bazaar, Big Bazaar	Rs. 1,150	90%
Office Supply & Equipment	Staples, Office Depot	Rs. 900	100%
Western Fashion – National	Madura, Indus League, Zodiac, AND	Rs. 900	85%
Large Department Store >30ksft	Lifestyle, Shoppers Stop, Pantaloons	Rs. 850	110%
Bookstores	Crossword, Oxford	Rs. 850	80%
Sports MBOs	RSH, Planet Sports	Rs. 850	90%
Western Fashion – International	Tommy, Benetton, Alcott, Celio, Lerros, Oviesse	Rs. 850	75%
Small Department Store 10k to 25k sft	Westside, Reliance Trends, Marks & Spencer	Rs. 800	90%
Restaurants (Fine Dining)	BJN Group, Mainland China, Great Kabab Factory	Rs. 750	70%
Ice Cream, Juices	Baskin Robbins, Kwaliti Walls, Booster Juice	Rs. 750	65%
Leisure Megastores	Reliance Timeout, Landmark, Odyssey	Rs. 625	120%
Beauty Salons, Hairdressers	Several local brands	Rs. 625	60%
Coffee Shops	Café Coffee Day, Barista	Rs. 600	50%
Furniture & Home Megastores	Home Centre, Home Town, @Home, R-Home	Rs. 550	95%
Multiplex / Cinema	PVR, Inox, Cinapolis, Big, Fame	Rs. 300	90%
Family Entertainment Centres	Amoeba, Time Zone, Orama, Fun City	Rs. 240	75%



Ethnic may not look to be sexy, but it's surely profitable – and what's sexier than money? This is a huge opportunity for new retail store formats, especially department stores with a large portfolio of ethnic in their merchandise mix and which offer better customer experience than most traditional retailers.

Is the high trading density of gift shops (compared to the international



IS THE HIGH TRADING DENSITY OF GIFT SHOPS (COMPARED TO THE INTERNATIONAL BENCHMARK) DUE TO MORE BROTHERS, SISTERS, UNCLES & AUNTS, OR JUST MULTIPLE BOYFRIENDS AND GIRLFRIENDS

benchmark) due to more brothers, sisters, uncles & aunts, or just multiple boyfriends and girlfriends?

- Noel Tata and Manoj Modi need not worry too much about the low trading densities of Landmark and Reliance Timeout – as they seem to be performing much better than their international (benchmarked) counterparts.
- B S Nagesh and Kabir Lumba should also not be worried – they

will definitely find a lot of support, at least in South Africa, with a 69 per cent higher TD than their RSA counterparts on a PPP-equalised comparison.

- Low predator pricing by international Q&R formats such as

McDonald's and KFC may have given them very high market penetration, albeit with low TDs, at least for now.

- Indian supermarkets and grocery retail chains are performing much below potential and need to fix their problems – soon.
- For a country that loves to gourmandise, where are the national restaurant chains? Looks like they're out to lunch!
- There is a big gap in the beauty salon / hairdressing category – India can do with at least 4-5 more YLGs.
- Coffee shops do not seem to be performing as well as most people



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Jewellery – Fashion	Nirvana, Several local brands	Rs. 4,000	200%
Electronics Megastores	Croma, Reliance Digital, X-Cite, E-Zone	Rs. 2,250	200%
Footwear	Metro, Mochi, Bata, Regal, Rocia, Aldo	Rs. 1,650	185%
Pharmacy	Guardian, Trust, Manipal Cure & Care, Apollo	Rs. 1,800	175%
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Large Department Store >30ksft	Lifestyle, Shoppers Stop, Pantaloons	Rs. 850	110%
Leather Bags & Accessories	Hidesign, Calonge, Esbeda, Holii	Rs. 1,700	100%
Fashion Accessories – Men	Neckties & More, Addons, Tie Rack	Rs. 1,650	100%
Denim Apparel / Jeans	Levis, Lee, Wrangler, Pepe	Rs. 1,500	100%
Eyewear – Prescription & Other	Vision Express, Foresight, Sunglass Hut, Himalaya	Rs. 1,250	100%
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Beauty Salons, Hairdressers	Several local brands	Rs. 625	60%
Grocery Stores	Food Bazaar, More, Reliance Fresh	Rs. 1,500	55%
Coffee Shops	Café Coffee Day, Barista	Rs. 600	50%

INDIA RETAIL MARKET (at prevailing market prices) in INR Billion or Rs. '00 crore

RETAIL SEGMENTS	INDIAN RETAIL MARKET (INR Billion)					MODERN RETAIL (INR Billion)				
	2006	2007	Growth 2007 > 2006	2008	Growth 2008 > 2007	2006	2007	Growth 2007 > 2006	2008	Growth 2008 > 2007
Clothing, Textiles & Fashion Accessories	1,135	1,313	15.7%	1,435	9.3%	214	298	39.3 %	347	16.4%
Jewellery	602	694	15.3 %	775	11.7%	16.8	23	36.9 %	28.5	23.9%
Watches	39.5	44	11.4 %	48	9.1%	18	21.5	19.4 %	24	11.7%
Footwear	137.5	160	16.4 %	172	7.5%	52	77.5	49.0 %	91	17.4%
Health & Beauty Care Services	38	46	21.1 %	54	17.4%	4	6.6	65.0 %	8.5	28.8%
Pharma Retail & Health Clinics	422	488	15.6 %	583	19.5%	11	15.4	40.0 %	23	49.4%
Consumer Durables, Home Appliances/equipments	481	575	19.5 %	645	12.2%	50	71	42.0 %	90	26.8%
Mobile handsets, Accessories & Services	216.5	272	25.6 %	341	25.4%	17.4	27	55.2 %	42	55.6%
Furnishings, Utensils, Furniture-Home & Office	406.5	455	11.9 %	479	5.3%	37	50	35.1 %	58	16.0%
Food & Grocery	7,439	7,920	6.5 %	8,590	8.5%	58	90	55.2 %	122	35.6%
Out-of-Home Food (Catering) Services	570	713	25.1 %	865	21.3%	39.4	57	44.7 %	75	31.6%
Books, Music & Gifts	133	164	23.3 %	200	22.0%	16.8	22	30.9 %	28	27.3%
Entertainment	380	456	20.0 %	528	15.8%	15.6	24	53.8 %	34	41.7%
TOTAL	12,000	13,300	10.8 %	14,715	10.6%	550	783	42.4 %	971	24.0%

IMAGES F&R Research preliminary estimates, Sept 2009



INDIAN SUPERMARKETS AND GROCERY RETAIL CHAINS ARE PERFORMING MUCH BELOW POTENTIAL AND NEED TO FIX THEIR PROBLEMS – SOON. AND, FOR A COUNTRY THAT LOVES TO GOURMANDISE, WHERE ARE THE NATIONAL RESTAURANT CHAINS?

think. Is it the case of too many cafés?

- Many categories, such as big box non-food discount retailers, home & household (except furniture), luggage, outdoor & travel gear, auto accessories, etc., are very poorly represented in India. ❑

The views and analyses presented in this article are those of the authors. IMAGES Retail may not subscribe to the same.