

Shopping Centre **News**

OCTOBER-NOVEMBER 2011

DEVELOPING RETAIL IN INDIA

VOL. 4 NO. 5 ₹100

Why are shopping centre owners and retailers shy of sharing data?

By Amit Bagaria

When was Mahatma Gandhi born?" I was recently asked. Before I could respond, the person herself said "on his birthday". Apparently, this was meant to be a joke. On the other hand, a majority of tenants not knowing the correct GLA of Ambi Mall (Gurgaon) or the High Street Phoenix complex (Mumbai) is definitely not a joke.

Look at this Fact Sheet of Spotsylvania Town Centre (on the page alongside), wherein the owner (of the shopping centre) has published the exact data of the store sizes of all its anchors and very relevant data about the income of its catchment. The total retail sales achieved by the centre have also been provided, along with the breakdown of the retail sales by category. Is all of this not extremely relevant for any potential new tenant considering taking up space in this shopping centre? Wouldn't Indian retailers like to have such data on malls in India?

Most Indian real estate developers exaggerate something as fundamental as the GLA of their shopping centres. In the UK, the "Going Shopping" series of reports by Trevor Wood Associates even lists details like transport linkages and parking provisions for 500+ shopping centres. In South Africa, reports such as the SAPOA/IPD Property Index and The Parker Review regularly publish lots of relevant data about the market there.

If anyone in India thinks that shopping centre owners in USA, UK, South Africa and other "western"



Credit: Shutterstock

countries are being transparent because of "regulations" in their countries, I have three things to say – first, even mall owners in Dubai and Bahrain are doing it despite there being no such regulation in these countries; second, why do we always wait for regulations to govern us?; and third, these seasoned mall owners are publishing such data because it helps them to attract the most appropriate tenants at the "right" rentals.

Aha! What if we (Indian mall owners) want to charge high rentals even though our footfalls and retail spends do not justify such rentals? For this, I have only one answer – just wait for there to be a supply surplus (which is going to be a reality very soon in most of the Top 50 Indian cities) and you will see what happens.

Compared to the transparency in most countries in the world,

some people in India take pride in publicising wrong information. When our research team calls up Indian shopping centre owners or their representatives for the size (GLA) of their mall, footfalls, the number of parking spaces, etc, most of the time they get wrong data. One developer in the NCR had claimed that his mall had a GLA of 1.6 million square feet, whereas an entry by them in Wikipedia puts it at 867,000 square feet, just about half. Another (newer) shopping centre by the same developer is publicised as 1.1 million square feet, but is supposed to have a total built-up area (excluding MLCP and basements) of 452,000 square feet as per the Environment Impact Assessment Study submitted to the Ministry of Environment, Government of India in March 2006, to seek pre-construction approvals.

What is the need to give inflated figures for something as important as the GLA of a shopping centre? Sooner or later, are people not going to find out the truth? Apart from GLA, the other often misquoted data is the number of parking spots. Shopping centres with 1400-1500 spots claim to have over 2500 – is it not possible for the tenant to physically verify the actual count once the centre is open?

It is not just the shopping centre owners who are unwilling to share data and be transparent about their set up. It is true even of retailers, large and small, corporate or mom & pop. But this is changing slowly, and the good news is that some of the "listed" retail companies are sharing the actual statistics.

This change could be because of the stringent SEBI regulations or the "need" to attract foreign institutional investors. In the last

Insufficient or improper data in India is a major stumbling block in planning/analysing any kind of retail business, whether it is a shopping centre, a retail format or brand, an industry sector or even nationwide statistics. But this is changing slowly, and the good news is that some of the “listed” retail companies are sharing the actual statistics.

SPOTSYLVANIA TOWNE CENTRE *Demographics*

Towne Centre Anchors

Costco	156,332 sq. ft.
Macy's	140,000 sq. ft.
JCPenney	132,666 sq. ft.
Belk	125,213 sq. ft.
Sears	120,209 sq. ft.
Dick's Sporting Goods	50,297 sq. ft.

Over 120 Specialty Shops

Average Daily Foot Traffic 31,746 persons

Highway Access/Daily Traffic

Interstate 95, State Route 3, U.S. Routes 1 & 17
245,000 vehicles a day pass through Interstate 95 & State Route 3

Trade Area Total Population

2008 Population**:	567,205
2000 Population**:	428,773
Population Increase (2000-2008):	32.3%

Data Source: 2008 SitesUSA.
Data in this section is not adjusted to reflect portions of counties in trade area.

Total Retail Sales

(in thousands of dollars)

2009 Total Retail Sales*:	\$8,936,232
2002 Total Retail Sales*:	\$4,920,690
Percentage of Increase:	81.6%

Retail Sales by Category

(in thousands of dollars)

Building Materials*:	\$720,076
General Merchandise*:	\$1,345,951
Clothing & Accessories*:	\$220,788
Furniture*:	\$251,174
Food & Beverage*:	\$1,053,068
Health & Personal Care*:	\$429,955




Data in this section is adjusted to reflect portions of counties in trade area.

Income

2009 Household Income**:	\$94,841
2000 Household Income**:	\$61,814
Increase in Household Income:	53%

2009 Disposable Income*:	\$11,065,052,000
2000 Disposable Income*:	\$7,377,182,000
Increase in Disposable Income:	50%

* Data Source: 2009 Edition of Editor & Publisher Market Guide.
Data in this section is adjusted to reflect portions of counties in trade area.
** Data Source: Scan US 2009, SitesUSA Applied Geographics Solution.

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fiscal year, companies such as Shoppers Stop, Trent and Gitanjali Gems have given far more relevant and easy to understand data than ever before. For example, there are many firsts in Trent's Annual Report for 2010-11:

- There is a graphical correlation between number of stores and overall revenues for the past five years, for both Westside as well as Star Bazaar.
- The locations (names of malls) of 14 new Westside stores have been published. In fact, addresses of all 113 stores of the company (including Sisley) have been listed.
- A graph shows the “like-for-like” sales growth of Westside stores for nine years.
- There is a transparent management discussion on the relatively poor performance of Landmark, with detailed explanations put forth with great humility.
- There is a graph showing the break-up of Landmark's (the books & music superstore format of Trent) sales by five categories.

Shoppers Stop disclosed its average selling price per unit and average transaction size (same as ABV), as shown on next page. I hope other retailers take the cue and start publishing such data. We can collaborate and try to improve as an industry on the whole if people are willing to share performance data openly. Look at two of India's most transparent sectors in recent times – the IT industry and the telecom industry (3G spectrum apart). It is not a surprise that these two have been the most successful sectors of the Indian economy in the past decade.

However, I must add that there is still a lot of important data missing, and the availability of this would help industry analysts as well as start-ups in the industry. For

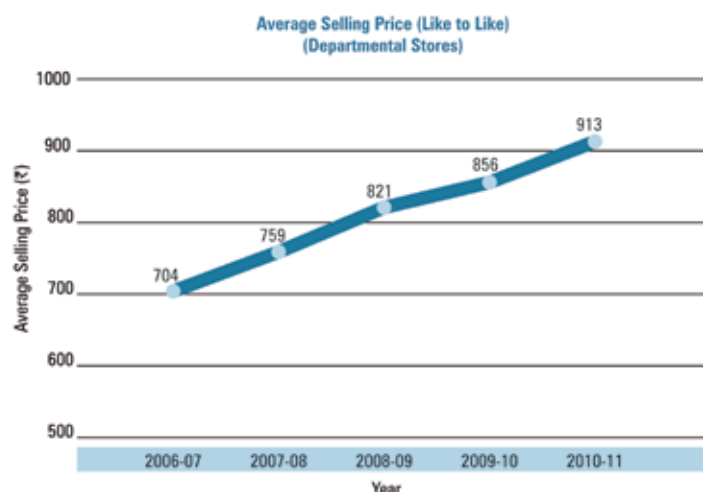


Management Discussion and Analysis Report

Shoppers Stop Ltd.

Average Selling Price (ASP):

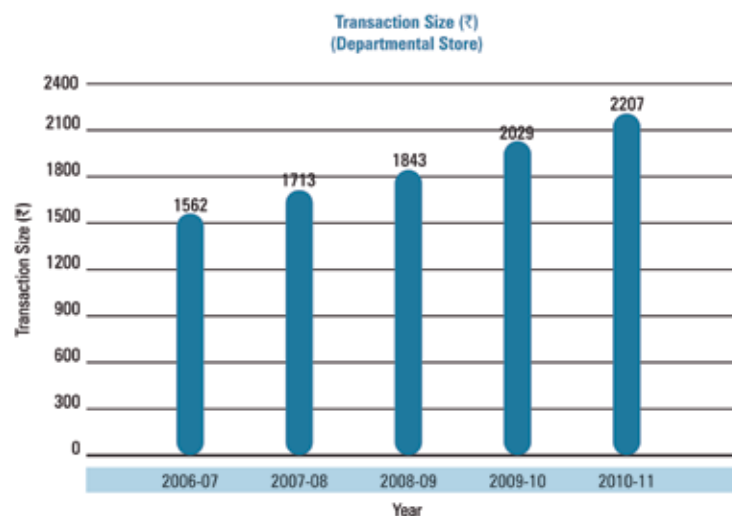
Average Selling Price is the Gross Retail Sales divided by the number of units sold. Tracking ASP helps the retailer to align the offering as per the customer segment as well as improve the productivity of the floor space.



(Source: Company MIS)

Transaction Size (₹):

Transaction size represents the amount spent by each customer on his buying. This is computed by the total sales divided by the number of cash memos.



(Source: Company MIS)

example, in the Shoppers Stop fiscal 2011 annual report, in a graph showing sales mix percentage, I would have liked to see much more details than just a break-up between apparel and non-apparel categories. How about a break-up by men's apparel, women's apparel, kids' apparel, western/ethnic, beauty, handbags & leather accessories, home furnishings, etc? The revenues of Hypercity and Crossword could have been given much earlier in the report rather than a statutory schedule on Page

107. There is absolutely no data on Home Stop...?

In the case of Gitanjali Gems (in its fiscal 2011 annual report), the company has gone into great depths in describing the size of the Indian gems and jewellery market and its constituents. It has also made the effort to give its store count break-up, details of occupied retail space, etc. On the other hand, it is not clear what the consolidated domestic turnover of the group from just the retail business is, since the group is also into manufacturing,

exports and international retail. Not just a retail analyst, but even equity analysts would definitely like to know their domestic turnover, especially considering that Gitanjali itself puts domestic consumption of gems and jewellery in India at a staggering \$57 billion.

While there is a fair degree of transparency in the annual reports of Trent, Shoppers Stop and Gitanjali Gems, the same cannot be said of India's largest listed retail company – Pantaloon Retail India Limited (PRIL).

2009-10

STRONG SAME STORE SALES GROWTH, COUPLED WITH INCREASED OPERATIONAL EFFICIENCY PROVIDED A FRESH IMPETUS TO THE BUSINESS

During the year, with a limited amount of capital employed into the retail business, the company managed a significant increase in the overall turnover. An incremental turnover of nearly ₹ 2,500 Crores was achieved on a limited capital employed of ₹ 620 Crores, translating into an incremental capital employed ratio of close to 4% or a three-fold increase in the overall balance sheet efficiencies correlated to top-line.

₹ 9787 cr. **UP 28%**
CONSOLIDATED TURNOVER

₹ 952 cr. **UP 56%**
CONSOLIDATED EBITDA

₹ 3.18 **UP 468 %**
EARNINGS PER SHARE

SAME STORE SALES GROWTH

	2010	2009	2008
VALUE	9.5%	7.4%	10%
LIFESTYLE	14%	6%	10%
HOME	12%	-11%	38%

In the case of PRIL (refer above), I am referring to their 2009-10 report, as I have not been able to lay my hands on the fiscal 2011 one yet and it was not uploaded on the company's website at least until the sixth of September, 2011, when I wrote the story. Although the MD's letter to shareholders states that the company's retail business has four principal categories – food, fashion, general merchandise and home – there is no breakdown of the company's performance in the reported fiscal year across those four categories.

There is also no break-up of the "consolidated turnover" by different retail formats. I am sure thousands of people in the retail industry in India and abroad, as well as hundreds of analysts and observers, would like to know how much of PRIL's ₹97.87 billion turnover came from Big Bazaar, how much from Food Bazaar, how much from Central, how much from Home Town and so on. How

is KB's Fair Price performing? What about eZone?

It is not enough to say that "the group regards the business segment retail as a single reportable segment". If the public can come to know that the turnover of Planet Sports was ₹1,585 million because it was a statutory compulsion (as the Planet Sports business is part of a separate legal entity [company] called Winner Sports Limited), why shouldn't we (the people) know the turnover of Big Bazaar, which is several times larger than Planet Sports?

What do leading retailers in the rest of the world do? Take the example of these extracts below from the 2011 annual report of one of UK's leading retailers M&S (Marks & Spencer), a company 4.5 times PRIL's size.

On the first page itself, you get a good summary. As you flip the pages, there are extremely important pieces of information put into eye-pleasing graphs, some of which are shown here.

FINANCIAL OVERVIEW

MACY'S, INC. SALES BY MONTH

(Dollars in millions)

2010

Month	Sales	# Stores	% Change Comp-Store Sales
February	\$ 1,667	850	3.7%
March	2,172	849	10.8%
April	1,735	849	1.1%
1st QTR	\$ 5,574		5.5%
May	\$ 1,786	849	1.4%
June	2,226	849	6.5%
July	1,525	849	7.3%
2nd QTR	\$ 5,537		4.9%
August	\$ 1,636	852	4.3%
September	2,181	853	4.8%
October	1,806	854	2.5%
3rd QTR	\$ 5,623		3.9%
November	\$ 2,341	854	6.1%
December	4,618	854	3.9%
January	1,310	850	2.6%
4th QTR	\$ 8,269		4.3%
TOTAL	\$25,003		4.6%

2010 Macy's, Inc. Sales by Merchandise Categories



Macy's, Inc. Comp-Store Sales

1999	4.5%	2003	(0.9)%	2007	(1.3)%
2000	2.0%	2004	2.6%	2008	(4.6)%
2001	(5.3)%	2005	1.3%	2009	(5.3)%
2002	(3.0)%	2006	4.4%	2010	4.6%

UK market share clothing and footwear

Value

11.7%

+0.5%pts

Volume

12.3%

+0.3%pts

Womenswear

Value market share

10.8%

+0.1%pts

Volume market share

9.5%

+0.4%pts

Menswear

Value market share

11.5%

+0.7%pts

Volume market share

13.2%

+0.1%pts

Kidswear

Value market share

6.6%

+0.4%pts

Volume market share

7.1%

+0.5%pts

Where is all of this (or similar) information in Future Group's (PRIL) annual report? Being an Indian I am much more familiar with the operations of Future Group than that of M&S, but after going through their annual report I now have more insights about the market position and performance of

the M&S rather than Future Group. For example, I not only know the UK market share of M&S (by value as well as by volume) in clothing and footwear, I even know the breakdown of their market share in categories such as food and home, and sub-categories such as womenswear, menswear, kidswear, and even lingerie. In comparison, in the case of Future Group, I don't even know what their food sales are.

M&S even goes on to tell us that 46 per cent of their 78,000 employees have been with the company for five years and 27

per cent have been with them for 10 years. They tell us that their employee turnover is 14 per cent; that 11,000 people applied for 180 job openings; that 26,000 employees participate in their employee share plan; and they even give us various other statistics relating just to people at M&S.

In comparison, Future Group tells us that they have 33,500 employees, of which 56 store managers have been identified from within the organisation for a happiness building initiative.

Let's look at the ₹1145 billion Macy's, one of USA's largest department store chains. The data presented in their financial reports is excellent and an example of this is shown here above.

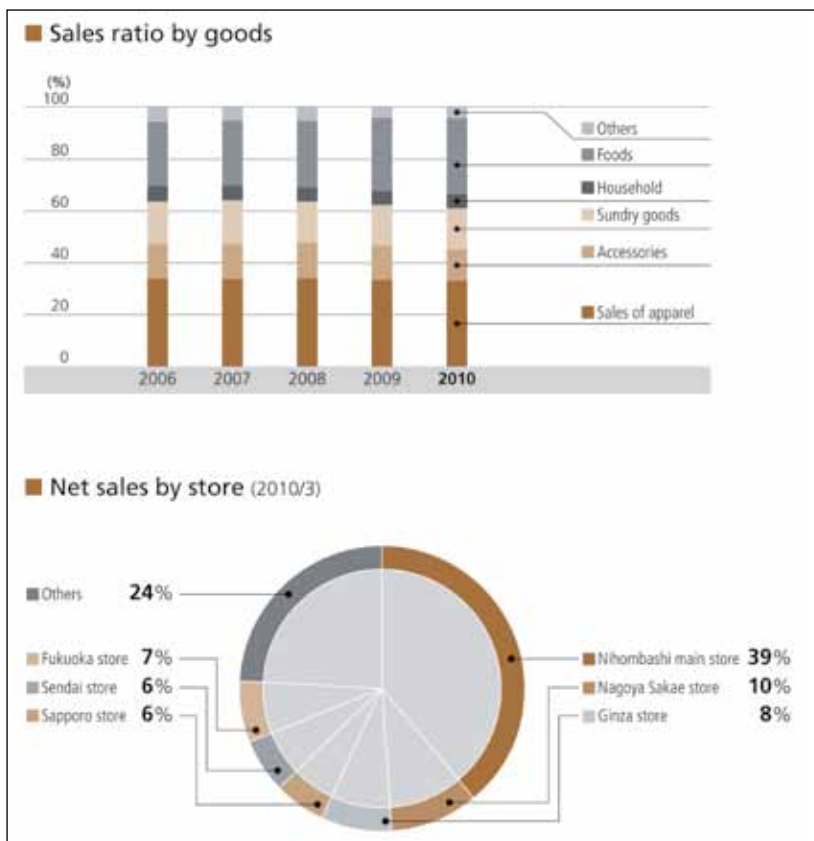
Take a look at these graphs (on next page) from Japan's Isetan Mitsukoshi. The story pretty much remains the same – much greater transparency than Indian retailers. The data reproduced here is just a small part of what is available on the company's annual report.

Lotte of South Korea surpasses most of the retailers referred to above. Going through their annual report was a real pleasure.

So if we are not emulating the West, the Middle East or the Far East, are we once again going to hide behind the common (and very clichéd) excuse that "India is different". This sounds no different from the "foreign hand" excuse (used by one national political party) that we so easily criticise. How are we in the corporate class any different than the political class?

The need for data (or the lack of it) becomes even more relevant when it represents a sector as a whole. Wrong data for an entire industry or sub-sector can either keep people away from entering (or investing in) a sector, or give leaders a false sense of pride about their market share.

For example, last December, Ajit Joshi, managing director and CEO of Infiniti Retail (the JV between Tata Group of India and Woolworths Ltd of Australia that runs the ₹17 billion Croma chain of CDIT retail stores) told me that the size of the CDIT industry in India was Rupees one trillion (Rupees one lakh crore). In a story I wrote for Images Retail magazine in January 2011, I said that our in-house research team has estimated the



market to be much larger at ₹1.33 trillion.

Since then, we at Asipac have done a lot more research on the subject and now firmly believe that the market is even larger at about ₹2.02 trillion. Retail consultancy Technopak's report put the market at just half (₹865 billion) and the India Retail Report 2011 by Images Group puts the market at just ₹961 billion, or less than one-third of what our research suggests. Another report by CCI puts the market at ₹1.43 trillion. With the mobile handset market alone being about ₹350 billion and the TV set market at about ₹240 billion, the total CDIT market (obviously) cannot be just ₹865 billion or even ₹961 billion.

Look at it another way – LG and Samsung together are expected to clock annual revenues (at the retail level) of about ₹450 billion. Is it more likely that these two Korean giants have a 52 per cent share of the entire CDIT market, or does a 22.3 per cent share sound more reasonable? They are most likely to have a combined market share of nearly 45 per cent in the colour TV

market, but definitely not the entire CDIT market, as they are virtually non-existent in segments like PCs and cameras, which constitute a ₹275 billion market. Obviously, a whole lot of data is either missing or wrong.

Let us examine another industry – jewellery. Technopak estimates the total Indian (domestic) gems and jewellery market size to be about ₹1.1 trillion. The India Retail Report 2011 puts it at ₹806 billion. Gitanjali Gems' annual report for fiscal 2011 (referred to earlier) puts the market at ₹2.59 trillion. There is a huge difference in these three estimates.

The top five Kerala based jewellery retailers alone have domestic retail sales of more than ₹130 billion. According to one of the top three jewellery retailers in Kerala who did not wish to be named, the total Kerala market alone is about ₹450 billion. The number crosses ₹680 billion in Tamil Nadu. So, just these two southern states have a market of ₹1.13 trillion. Do the math yourself to see whether Technopak's and IRR's estimates are more correct than

Gitanjali's, or whether all three are way off the "real" mark.

I will now move to another small but trendy sector of the retail industry – beauty. When I started a skincare and grooming products retail business in mid-2010, I was obviously interested to know all details about the market. The best case (RNCOS) puts the domestic beauty, cosmetics, skincare and haircare industry size at ₹473 billion. Technopak estimates it at less than ₹438 billion. A July 2011 Business Standard article puts the total market at only ₹43.7 billion. The Economic Times publishes a story once every 2-3 months putting the market at a paltry ₹40 billion. The Asia Pacific Business & Technology Report puts the market at ₹182 billion. MSN News puts it at ₹122 billion. According to Franchise India publications, the industry size is only ₹30 billion. Euromonitor puts the market at ₹275 billion. Whom am I going to believe? Actually, none of the above.

We did our own research. We discovered that the men's shaving products market alone was more than ₹50 billion. We also discovered that the men's fragrance and deodorant market was another ₹64 billion. Our research showed the men's personal care market alone to be ₹211 billion. Based on an assumption that men's products comprise about a third of the total market, we concluded that the total Indian personal care (beauty, cosmetics, skincare and haircare) market was at least ₹630 billion – more than double Euromonitor estimates and 33 per cent higher than Technopak's estimates.

So there is confusion, confusion and more confusion. One does not know which data to believe. Everyone is happy to live with smaller numbers than reality, because it gives their own business notionally higher market share.

There is an equal amount of confusion about the size of India's overall retail market and the share of organised or modern retail

in this. Most published reports have estimated the total retail market (including automobiles) to be between ₹18 trillion and ₹21 trillion.

India's nominal GDP in the last 12 months (September 2010 to August 2011) was ₹83.8 trillion. Therefore, India's household final consumption expenditure (or private consumption expenditure) at 55.7 per cent of GDP should be ₹46.67 trillion. Obviously, the retail market cannot be less than 45 per cent of the household consumption expenditure.

According to Asipac's extensive research and analysis, the total retail market is ₹24.676 trillion (\$542 billion), or about 53 per cent of India's household consumption expenditure.

The various published studies have estimated the organised retail sector (or modern retail) to be somewhere between ₹990 billion to ₹1.267 trillion. My contention is that two sectors – automobiles and jewellery – alone have an organised trade of more than ₹2.07 trillion, and there is sufficient data in public domain to prove this. As per Asipac's research, the organised or modern retail industry is ₹3.31 trillion (\$72.7 billion), which is 13.41 per cent of the overall retail market.

It may be possible that Asipac's data also has some gaps, and this is because we too (like everyone else) are constrained by the gross inefficiency in the data assimilation and dissemination practices prevalent in India. Here, it's not a case of "it happens only in India", but more of "it does not happen in India". ●

About the author:

Amit Bagaria is Chairman of ASIPAC, India's leading mall development and leasing consultants and MEN & BOYS, Asia's largest chain of retail stores for men's skincare and grooming products. The views expressed by the author are personal – Ed.

