



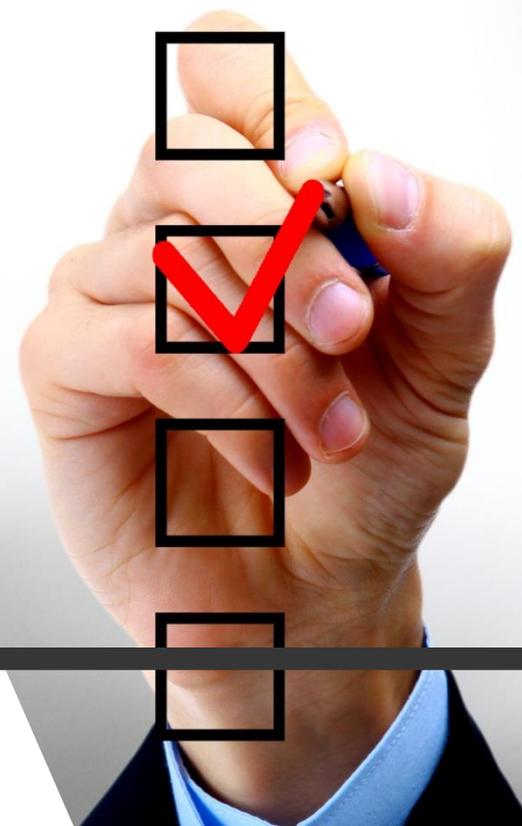
RETAIL



IBEF 
INDIA BRAND EQUITY FOUNDATION
www.ibef.org

Table of Content

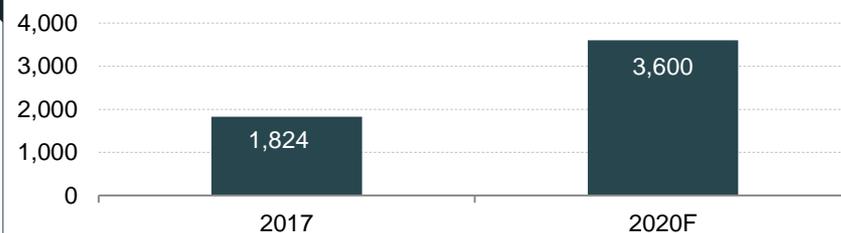
- ▶ Executive Summary.....3
- ▶ Advantage India..... 5
- ▶ Market Overview and Trends.....7
- ▶ Strategies adopted.....15
- ▶ Growth Drivers.....18
- ▶ Opportunities.....26
- ▶ Key Industry Organisations.....29
- ▶ Useful Information.....31



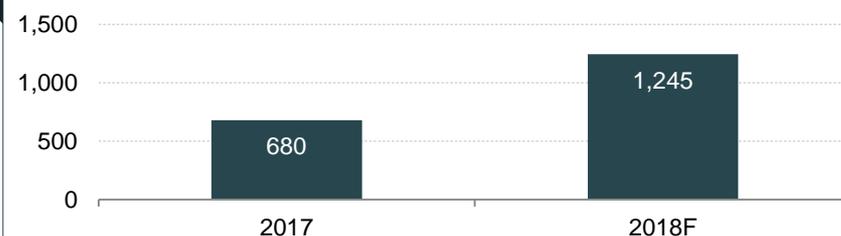
EXECUTIVE SUMMARY

- Rising income and demand for quality products to boost consumer expenditure.
- Total consumption expenditure is expected to reach nearly US\$ 3,600 billion by 2020 from US\$ 1,824 billion in 2017.
- Indian retail one of the fastest growing markets in the world due to economic growth.
- India is the world's fifth largest global destination in the retail space.
- Retail market in India is projected to grow from US\$ 680 billion in 2017 to US\$ 1.2 trillion in 2018.
- India's modern retail to double in size over the next three years.
- The modern retail market in India is expected to grow from US\$ 13.51 billion in 2016 to US\$ 26.67 billion in 2019.

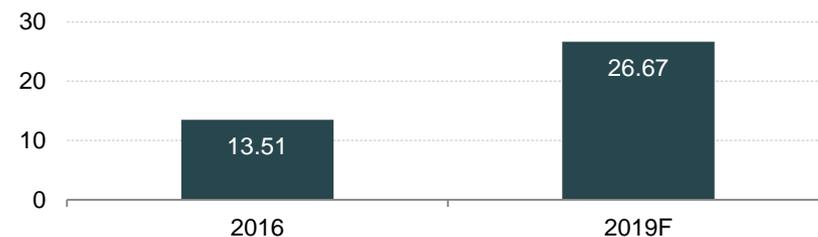
Consumer expenditure in India (US\$ billion)



Retail market in India (US\$ billion)



Modern retail market in India (US\$ billion)



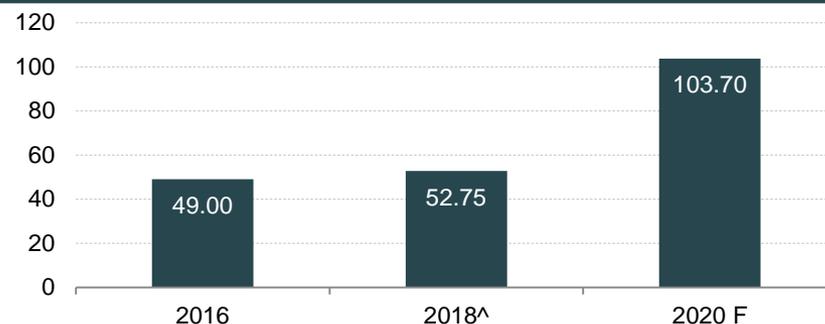
Notes: CAGR - Compound Annual Growth Rate, F- Forecast

Source: Ernst and Young, Price Waterhouse Cooper, Economic Times, MRRSIndia.com and Assocham - The Associated Chambers of Commerce and Industry of India, Resurgent India

EXECUTIVE SUMMARY

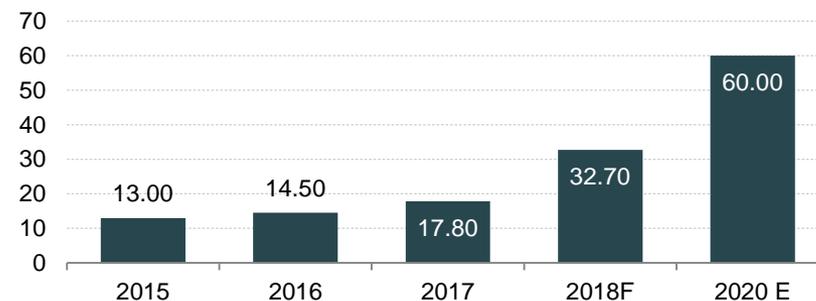
- Robust consumption, rural markets to augment FMCG market.
- FMCG market expected to increase to US\$ 103.7 billion by 2020 from Rs 3.4 lakh crore (US\$ 52.75 billion) in FY2018.

FMCG market in India (US\$ billion)



- Increasing participation from foreign and private players to boost retail infrastructure.
- India's online retail sector grows 23 per cent to US\$ 17.8 billion in 2017.
- Online retail sales is forecasted to grow at the rate of 31 per cent year-on-year to reach US\$ 32.70 billion in 2018.
- Revenue generated from online retail is projected to grow to US\$ 60 billion by 2020.

Revenue from online retail in India (US\$ billion)

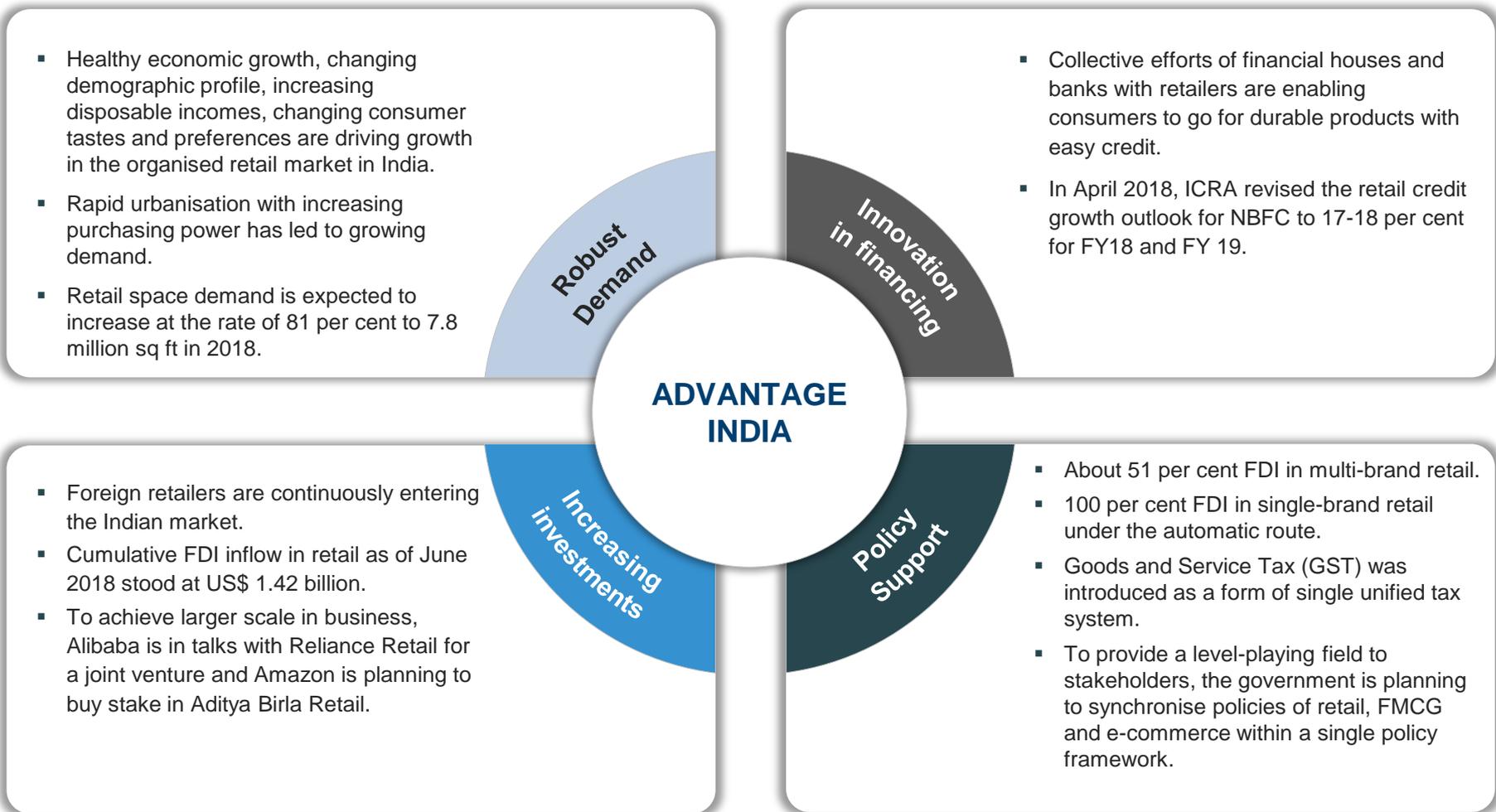


Notes: CAGR - Compound Annual Growth Rate, F – forecast, All the years denote calendar year, ^ - FY18

Source: indiaretailing.com, eMarketer



ADVANTAGE INDIA



Note: FY – Indian Financial Year (April–March), NMDP – National Maritime Development Programme, FDI – Foreign Direct Investment, MMT – Million Metric Tonnes,

Source: Report of the Task force on Financing Plan for Ports, Government of India, JLL report

MARKET OVERVIEW AND TRENDS



EVOLUTION OF RETAIL IN INDIA

Pre 1990s

- Manufacturers opened their own outlets.

1990-2005

- Pure-play retailers realised the potential of the market.
- Most of them in apparel segment.

2005-2010

- Substantial investment commitments by large Indian corporate.
- Entry in food and general merchandise category.
- Pan-India expansion to top 100 cities.
- Repositioning by existing players.

2010 onwards

- Cumulative FDI inflow from April 2000 to June 2018, in the retail sector, reached US\$ 1.42 billion.
- Retail 2020: Retrospect, Reinvent, Rewrite.
- Movement to smaller cities and rural areas.
- More than 5–6 players with revenues over US\$ 1 trillion by 2020.
- Large-scale entry of international brands.
- Approval of FDI limit in multi-brand retail up to 51 per cent.
- Rise in private label brands by retail players.
- Sourcing and investment rules for supermarkets were relaxed.
- E commerce has emerged as one of the major segments.
- 100 per cent FDI in single brand retail under the automatic route.

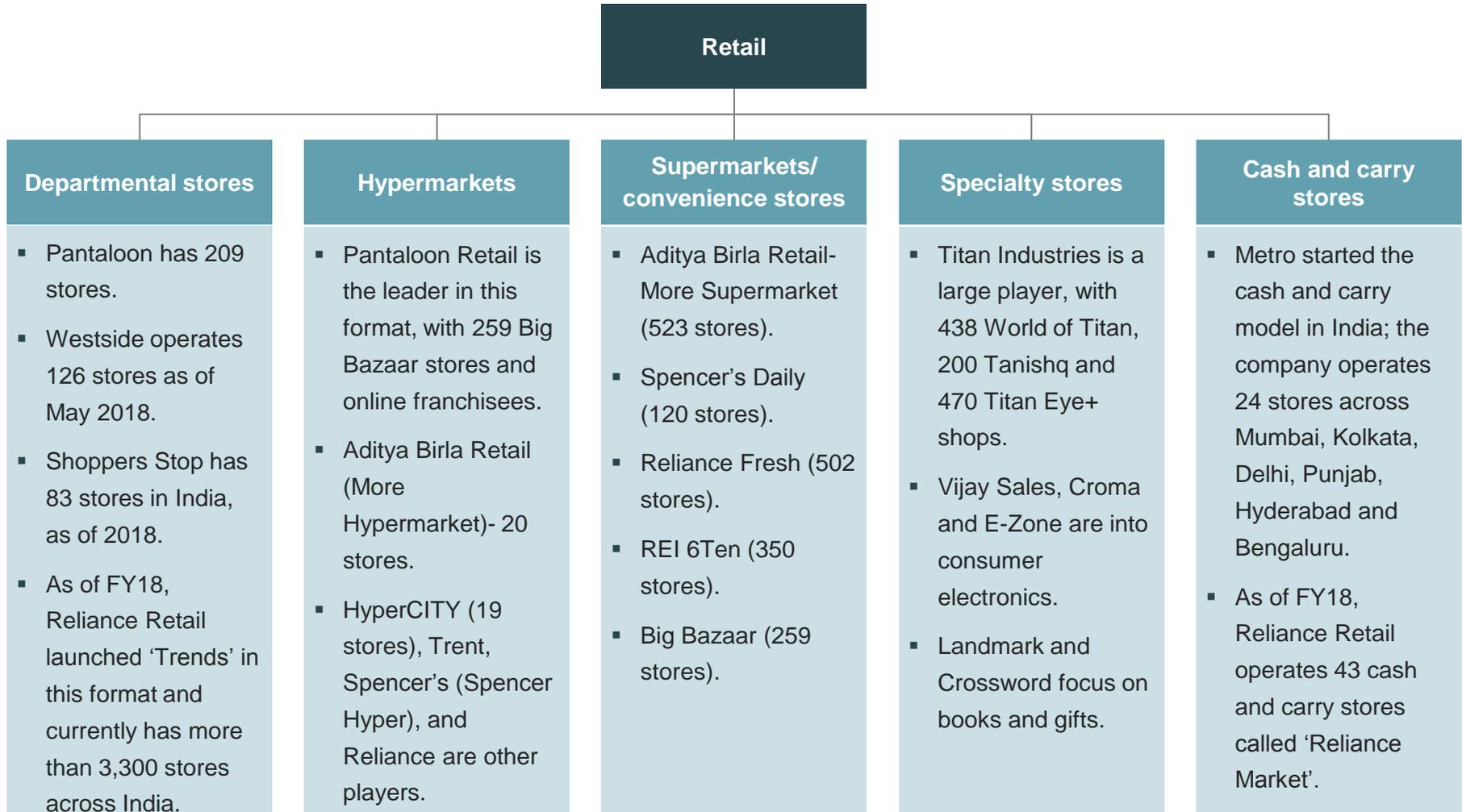
Source: Technopak Advisors Pvt Ltd, BCG



Note: IT - Information Technology

Source: Aranca Research

COMPETITIVE LANDSCAPE IN INDIAN RETAIL SECTOR

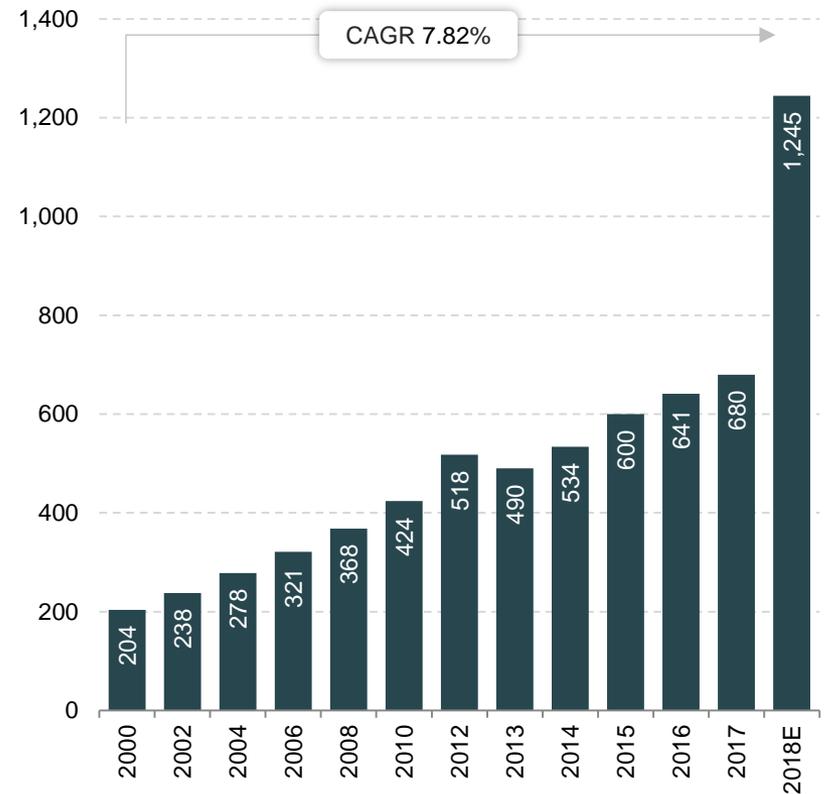


Source: Company websites, Press Release

STRONG GROWTH IN THE INDIAN RETAIL INDUSTRY

- The retail sector in India is emerging as one of the largest sectors in the economy.
- The total market size of Indian retail industry is forecasted to increase to US\$ 1.2 trillion by 2018 from US\$ 680 billion in 2017.
- India will become a favourable market for fashion retailers on the back of a large young adult consumer base, increasing disposable incomes and relaxed FDI norms.

Market size over the past few years (US\$ billion)



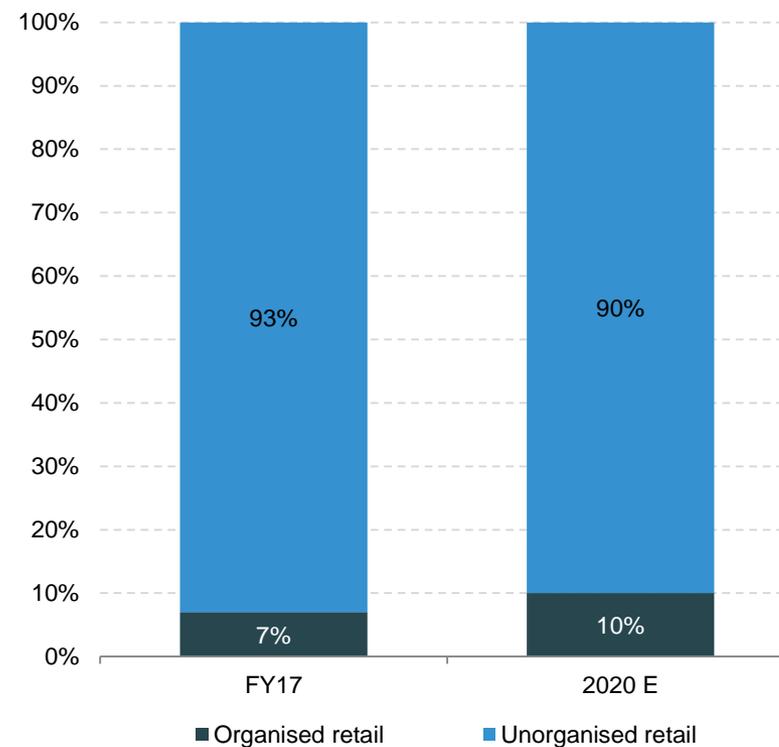
Note: CAGR from 2000-2017, E – Estimated

Source: indiaretailing.com, BMI Research, according to MRRSIndia.com and Assocham - The Associated Chambers of Commerce and Industry of India, Resurgent India

ORGANISED RETAIL IN NASCENT STAGE

- The Indian retail market is in its nascent stage; unorganised and organised players accounted for 93 per cent and 7 per cent, respectively of the market during FY 17.
- The organised retail in India is growing at a CAGR of 20-25 per cent per year.
- In 2020, it is estimated that organised retail penetration share would reach 10 per cent and unorganised retail penetration would hold a major share of 90 per cent.
- The unorganised retail sector in India has huge untapped potential for adopting digital mode of payments, as 63 per cent of the retailers are interested in using digital payments like mobile and card payments.

Significant scope for expansion



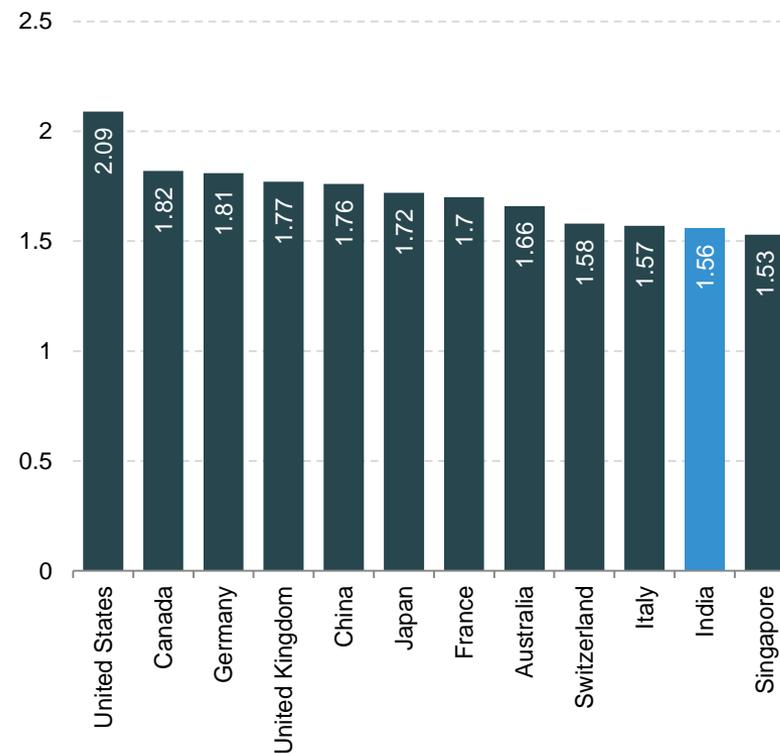
Note: E – estimate

Source: BCG, KPMG- indiaretailing.com, Deloitte Report, Winning in India's Retail Sector, Centre for Digital Financial Inclusion (CDFI) report, Crisil

SECTOR'S HIGH GROWTH POTENTIAL IS ATTRACTING INVESTORS

- India has occupied a remarkable position in global retail rankings; the country has high market potential, low economic risk and moderate political risk.
- India's high growth potential compared to global peers has made it more favourable. India is expected to become the world's third-largest consumer economy, reaching US\$ 400 billion in consumption by 2025, according to a study by Boston Consulting Group.
- In FDI Confidence Index, India ranks 11th (after U.S., Canada, Germany, United Kingdom, China, Japan, France, Australia, Switzerland and Italy).
- India is ranked first in the Global Retail Development Index 2017, backed by rising middle class and rapidly growing consumer spending.

FDI Confidence Index 2018

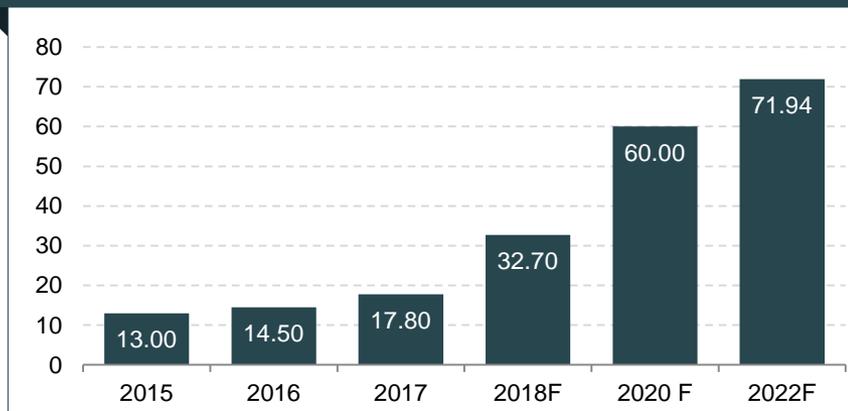


Note: FDI - Foreign Direct Investment

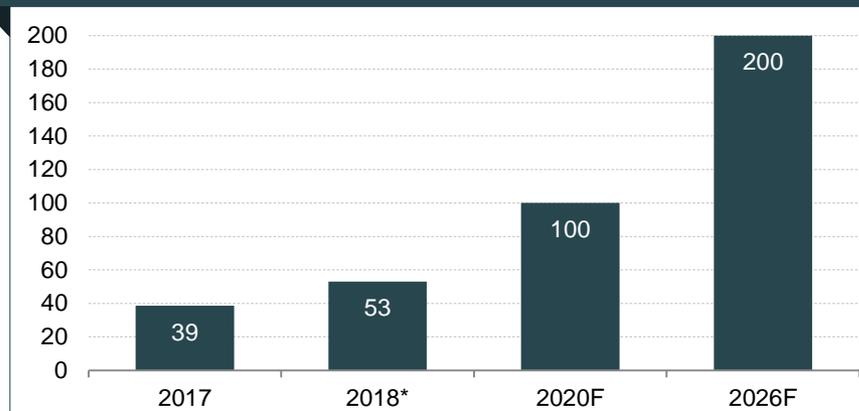
Source: AT Kearney 2017 FDI Confidence Index

RISING PROMINENCE OF ONLINE RETAIL

Online retail in India (US\$ billion)



Indian E-Commerce Market (US\$ billion)



- Online retail business is the next generation format which has high potential for growth. Currently, it is estimated to be a US\$ 50 billion opportunity. After conquering physical stores, retailers are now foraying into the domain of e-retailing. It had a market size of US\$ 18 billion in 2017 and is forecasted to reach US\$ 32.70 billion by 2018.
- Online retail market is estimated to reach US\$ 60 billion by 2020. The online retail market sales is forecasted to grow at the rate of 31 per cent year-on-year to reach US\$ 32.70 billion in 2018. It is forecasted to reach US\$ 71.94 billion by 2022.
- India's ecommerce industry's sales rose 40 per cent year-on-year to reach Rs 9,000 crore (US\$ 1.5 billion) during the five-day sale period ending September 24, 2017, backed by huge deals and discounts offered by the major ecommerce companies. It is forecasted to reach US\$ 53 billion by 2018.
- The government plans to allow 100 per cent FDI in e-commerce, under the arrangement that the products sold must be manufactured in India to gain from the liberalised regime.

Notes: APMEA - Asia/ Pacific, Middle East and Africa, F- Forecast, * - May 2018

Source: MasterCard Worldwide Insights 4Q 2010, PWC e commerce in India report, ASSOCHAM, UN Report 'The power of 1.8 billion', Nasscom annual guidance 2018, RedSeer Consulting, eMarketer

STRATEGIES ADOPTED



STRATEGIES ADOPTED

Strong distribution and logistic network

- It is imperative for a retailer to have a strong distribution and logistic network to succeed in this sector. Players follow a distribution network that suits them the best. For example, Shoppers Stop follows a “hub and spoke” model for its distribution network to increase efficiency and productivity.

Focus

- The Future Group will set up 4000 “neighbourhood” retail stores in the next 3-5 years as a part of its focus on small stores. The brand will increase the number of stores from 538 in March 2017 to 1000 by September 2018.
- To improve consumer outreach Amway India will open 25 new Xpress Pick and Pay (XPP) stores in India in 2018.
- On August 09, 2018 IKEA world's largest furniture retailer opened its first retail store in Hyderabad and it plans to open 24 more stores by 2025.
- Flipkart to expand its online grocery services ‘Supermart’ in 5-6 major cities by 2018, due to increasing rivalry from Alibaba-backed Big Basket, SoftBank-funded Grofers and Amazon India.
- Bata India will invest Rs 1 billion (US\$ 14.91 million) to upgrade facilities, and refurbish stores. They aim to set up 100 own and 50 franchise stores by 2018.

Omni-channel retailing

- Retailers are opting for many channel to maximise sales, Omni-channel retailing is being adopted by many retailers in India. For example, Shoppers Stop is making efforts to be an omni-channel retailer. Ezone has launched an online platform, which has led to increase in sales.
- As of February 2018, Paytm Mall has decided to enter into physical retail and planned to set up a brick-and-mortar store in New Delhi, co-branded with Red Tape shoes, where customers can walk in, scan product bar codes, browse and make purchases via its mobile app. The company is targeting 400 stores by February 2019.
- In February 2018, Amazon launched its food retailing business called Amazon Retail India Pvt Ltd In Pune, India on a pilot basis, thereby becoming the first foreign ecommerce company to stock and sell food products directly to consumers.

Lowering prices

- Certain retailers adopt ‘first price right’ approach. Retailers do not offer discounts under this strategy: they directly compete on the selling price by offering a best price without any markdowns.

Source: Company website, News Articles

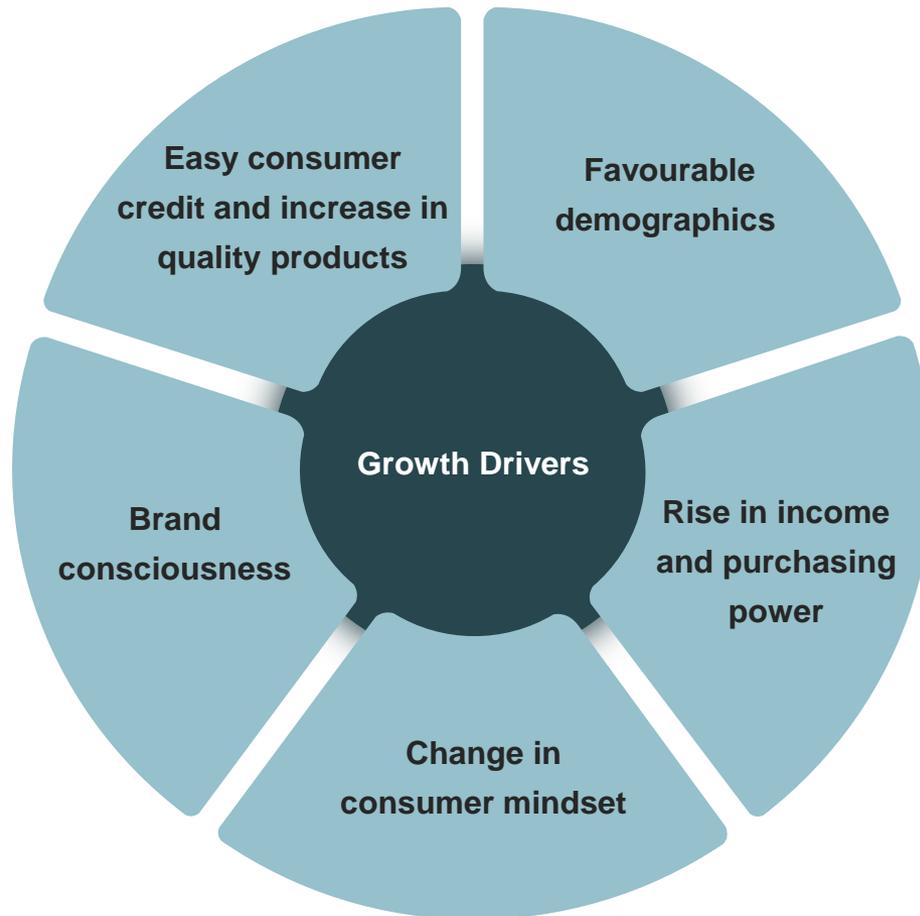
STRATEGIES ADOPTED

Offering discounts	<ul style="list-style-type: none">▪ Most retailers have advanced off-season sales from 15 days to a month with discounts of 20-70 per cent on certain products. Also higher discounts and other value-added services for members.
Offering value-added services	<ul style="list-style-type: none">▪ Companies offer innovative value-added services, like customer loyalty programmes and happy hours on shopping deals. Offers for senior citizens, contests for students and lottery gains are now very common.
Leveraging partnerships	<ul style="list-style-type: none">▪ To keep customers on shop floors for a longer time and increase conversions, retailers are now pitching to partner with manufacturers, service providers, financial companies, etc. to create a buzz around certain product categories.
Strong supply chain	<ul style="list-style-type: none">▪ Critical components of supply chain planning applications help retailers to maintain profit margins.▪ Innovative solutions like performance management, frequent sales operation management, demand planning, inventory planning, production planning and lean systems can help retailers to get advantage over competitors.
Joint Ventures	<ul style="list-style-type: none">▪ To diversify the product offerings and tap the growing luxury retail segment, retailers are forming joint ventures with foreign luxury brands. Reliance Brands Ltd. formed a joint venture with Bally, a Swiss luxury brand, to exclusively market its products in India.
Changing the perception	<ul style="list-style-type: none">▪ Retailers benefit if consumers perceive their store brands to have consistent and comparable quality and availability in relation to branded products. For this, retailers are providing more assortments for private level brands to compete with supplier's brand. New product development, aggressive retail mix and everyday low pricing strategy help to get edge over supplier's brand.
Hyper-Personalisation	<ul style="list-style-type: none">▪ Indian retailers use hyper-personalisation models based on behavioral data, brands performance, demographic preference and pin codes as marketing strategy which boosts sales.
Cash-on-Delivery	<ul style="list-style-type: none">▪ Online retail segment offers cash-on-delivery and manufacturers' warranty to boost e-retailing in consumer durable sector.▪ Cash-on-delivery is the most preferred payment option with over 30 per cent of buyers opting for it in India.

Source: International

GROWTH DRIVERS





GROWTH DRIVERS FOR RETAIL IN INDIA

Consumer preferences

- India's per capita GDP increased to Rs 98,867 (US\$ 1,534.01) in FY18 from Rs 93,888 (US\$ 1,399.43).
- Indian consumers are now shifting more towards premium brands by paying more for value and service.

Brand Consciousness

- Factors like young demographic composition, increasing personal disposable income, more preference towards affordable luxury and rising middle class population are developing preferences for specific brands.

Consumer Finance Opportunities

- Consumers have become more comfortable using online services due to demonetisation.
- Online retail segment provides various credit and payment options driven by increasing internet penetration, speed, 24-hour accessibility and convenient and secured transactions.

FDI Approvals

- Department of Industrial Policy and Promotion (DIPP) approved three foreign direct investments (FDI), Mountain Trail Food, Kohler India Corporation, and Merlin Entertainments India in the single brand retail sector.
- The DIPP has approved two FDI proposals worth more than Rs 400 crore (US\$ 62.45 million) within the retail sector.

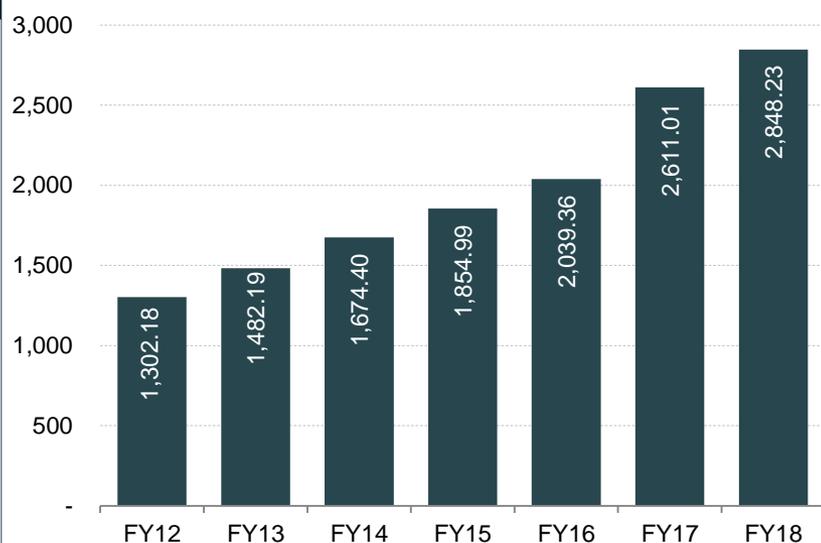
Investments

- Google and Paytm Mall to acquire 7-10 per cent stake in Future Retail with investment of Rs 3,500-4,000 crore (US\$ 522.08-596.66 million).
- India's retail market witnessed investments worth US\$ 800 million by Private Equity (PE) firms and wealth funds in 2017.
- India's retail sector attracted Rs 9.5 billion (US\$ 147.40 million) investments in FY18, at a growth rate of 35 per cent year-on-year from Rs 7 billion (US\$ 104.34 million) in FY17.

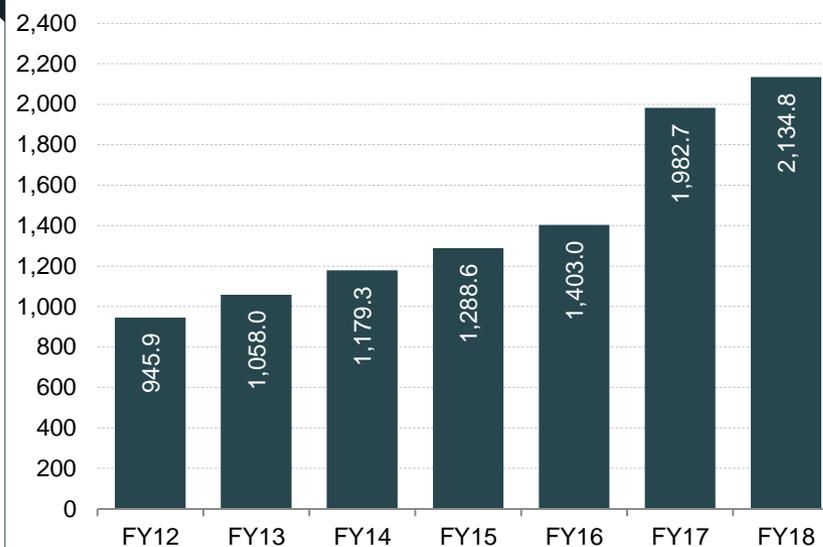
Source: News Articles, Ministry of Statistics and Programme Implementation

INCOME GROWTH TO DRIVE DEMAND FOR ORGANISED RETAIL

GDP at current prices (US\$ billion)



GDP per capita at current prices (US\$)



- Multiple drivers are leading to strong growth in Indian retail through a consumption boom.
- Significant growth in discretionary income and changing lifestyles are among the major growth drivers of Indian retail.
- Easy availability of credit and use of 'plastic money' have contributed to a strong and growing consumer culture in India.
- Acceptance and usage of e-retailers by consumers are increasing due to convenience and secured financial transactions.
- Expansion in the size of the upper middle class and advertisement has led to greater spending on luxury products and high brand consciousness.
- In FY18, GDP at current prices was US\$ 2,848.23 billion and GDP per capita at current prices was US\$ 2,134.8.

Source: IMF

FDI POLICY DETAILS ON SINGLE AND MULTI-BRAND RETAIL IN INDIA

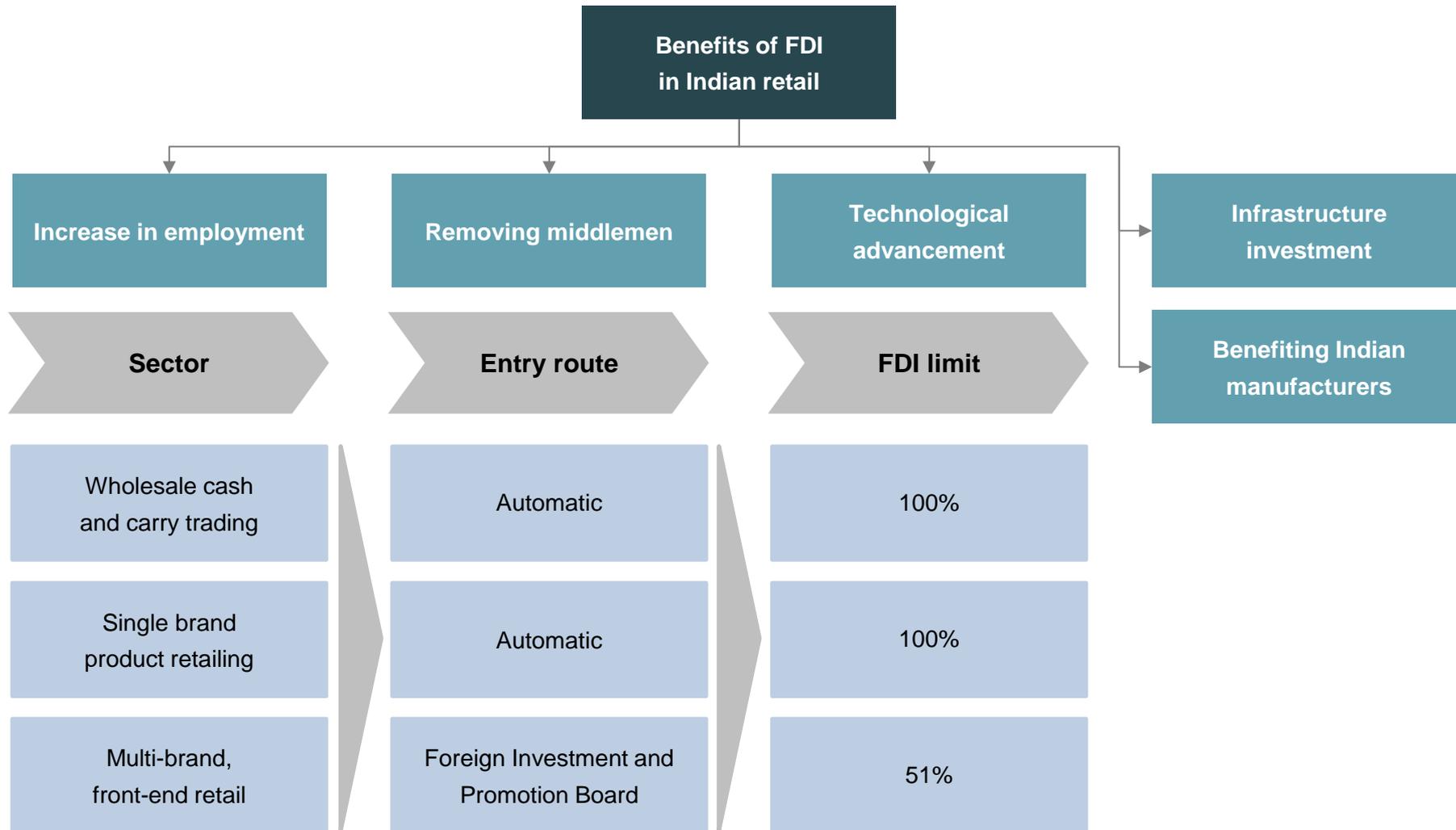
51 per cent FDI in multi-brand retail Status: Policy passed

- Minimum investment cap is US\$ 100 million.
- 30 per cent procurement of manufactured or processed products must be from SMEs.
- Minimum 50 per cent of total FDI must be invested in backend infrastructure (logistics, cold storage, soil testing labs, seed farming and agro-processing units).
- Removes middlemen and provides better price to farmers.
- Development in retail supply chain system.
- 50 per cent of jobs in retail outlet could be reserved for rural youth and a certain amount of farm produce could be required to be procured from poor farmers.
- To ensure the Public Distribution System (PDS) and Food Security System (FSS), the government reserves the right to procure a certain amount of food grains.
- It will keep food and commodity prices under control. It will also cut agricultural waste as mega retailers would develop backend infrastructure. Consumers will receive higher quality products at lower prices and with better service.

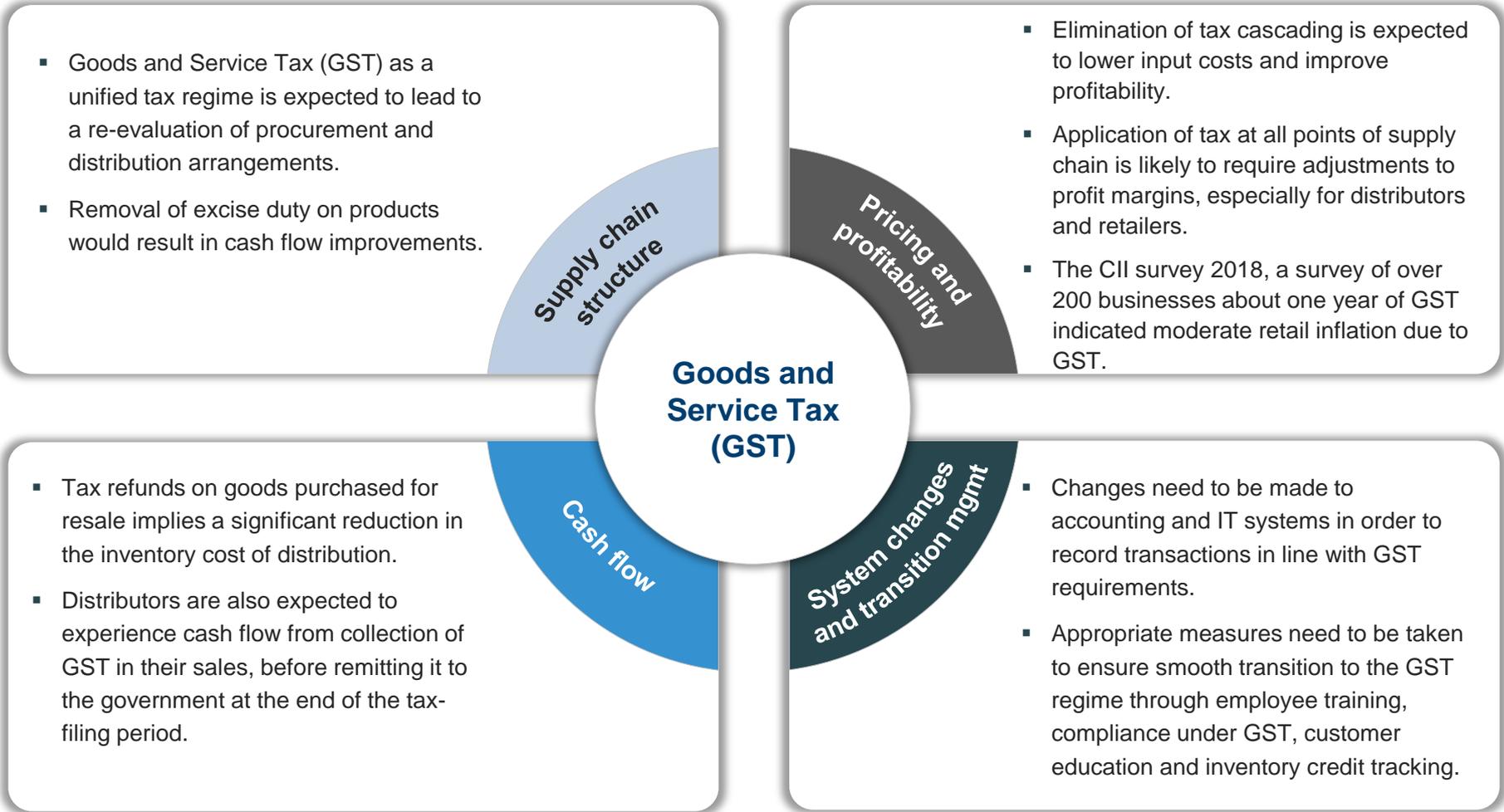
100 per cent FDI in single brand retail Status: Policy passed

- Products to be sold under the same brand internationally. Sale of multi-brand goods is not allowed, even if produced by the same manufacturer.
- 100 per cent FDI allowed in single-brand retail under the automatic route.
- Single brand retail entities have been allowed to set off their incremental sourcing of goods from India for global operations during the initial five years starting from the 1st April of the year of the opening of first store, as against the compulsory sourcing requirement of 30 per cent of purchases from India.
- 100 per cent FDI in retail trading of food products manufactured or produced in India.
- Liberalisation of FDI is expected to give a boost to ease of doing business and Make in India.

INDIAN RETAIL IS SET TO BENEFIT FROM FDI POLICY



NEW GOODS AND SERVICE TAX (GST) WOULD SIMPLIFY TAX STRUCTURE



*Note: CII: Confederation of Indian Industry
Source: Aranca Research*

RECENT M&A DEALS IN THE INDIAN RETAIL SECTOR

Acquirer name	Target name	Year	Deal type
Reliance Retail Ventures Ltd (RRVL)	Genesis Colors Ltd (GCL), GLF Lifestyle Brands, Genesis La Mode, Genesis Luxury Fashion Pvt Ltd, GML India Fashion and GLB Body Care	September 2018	Acquisition
Walmart	Flipkart	May 2018	Acquisition
Future Group	HyperCity	October 2017	Acquisition
Berger Paints	Chugoku Marine Paints	April 2017	Collaboration
Myntra	InLogg	April 2017	Acquisition
Flipkart owned Myntra	HRX	August 2016	Acquisition
Myntra	MotoGP	August 2016	Collaboration
Aditya Birla Fashion and Retail	Forever 21 (India Business)	May 2016	Acquisition
Idein Ventures.	Infurnia	Jan 2016	Joint Venture
Paytm	Near.in	Dec 2015	Acquisition
Morgan Stanley	Flipkart	June 2015	Private Equity
InnoVen Capital	Sportsbiz Private Limited	July 2015	Private Equity
Snapdeal	Exclusively.in	Feb 2015	Acquisition
Kalyan Jewellers India Pvt Ltd	Warburg Pincus	Oct 2014	Private Equity
Celio	Future Lifestyle Fashions Limited	Oct 2014	Private Equity
Flipkart	Myntra.com	May 2014	Acquisition
Soft Bank	Snapdeal	Oct 2014	Private Equity

Source: Bloomberg and Thomson ONE Banker, News Articles

OPPORTUNITIES



GROWTH VALUE PROPOSITION



Source: KPMG International 2011

AMPLE GROWTH OPPORTUNITIES IN INDIAN RETAIL INDUSTRY

Large number of retail outlets

- India is the fifth largest preferred retail destination globally.
- The sector is experiencing exponential growth, with retail development taking place not just in major cities and metros, but also in Tier-II and Tier-III cities.

Rural markets offer significant growth potential

- In FY18, rural consumption rose by 9.7 per cent while the urban spending grew at 8.6 per cent.

Private label opportunities

- The organised Indian retail industry has begun experiencing an increased level of activity in the private label space.
- In April 2018, the organised retail sector is forecasted to witness strong growth in the coming years.
- The share of private label strategy in the US and the UK markets is 19 per cent and 39 per cent, respectively, while its share in India is just 6 per cent. Stores like Shopper Stop, Lifestyle generates 15 to 25 per cent revenues from private label brands.

Sourcing base

- India's price competitiveness attracts large retail players to use it as a sourcing base.
- Global retailers such as Walmart, GAP, Tesco and JC Penney are increasing their sourcing from India and are moving from third-party buying offices to establishing their own wholly-owned/wholly-managed sourcing and buying offices.

Luxury retailing

- Luxury retailing is gaining importance in India. This includes fragrances, gourmet retailing, accessories and jewellery among many others.
- The Indian luxury market stood at around US\$ 18.6 billion in 2016 from US\$ 14.7 billion in 2015 , thereby registering a growth of 26.5 per cent.
- Luxury market of India is expected to grow to US\$ 30 billion by the end of 2018 from US\$ 23.8 billion in 2017 supported by growing exposure of international brands amongst Indian youth and higher purchasing power of the upper class in tier 2 and 3 cities, according to ASSOCHAM.

Notes: FMCG - Fast Moving Consumer Goods

Source: Aranca Research, Nielsen, Jefferies report

KEY INDUSTRY ORGANISATIONS



Retailers Association of India

Address: 111/112, Ascot Centre,
Next to Hotel Le Royal Meridien, Sahar Road, Sahar,
Andheri (E),
Mumbai – 400099.
Tel: 91- 22 - 28269527 - 28
Fax: 91- 22- 28269536
E-mail: info@rai.net.in
Website: www.rai.net.in

The Franchising Association of India

Address: A-13, Kailash Colony
New Delhi – 110048
Tel: 91- 11- 2923 5332
Fax: 91- 11- 2923 3145
Website: www.fai.co.in

USEFUL INFORMATION



- **FDI:** Foreign Direct Investment
- **FMCG:** Fast Moving Consumer Goods
- **FY:** Indian Financial Year (April to March)
- So FY10 implies April 2009 to June2010
- **IT:** Information Technology
- **MoU:** Memorandum of Understanding
- **MT:** Million Tonnes
- **MTPA:** Million Tonnes Per Annum
- **SEZ:** Special Economic Zone
- **US\$:** US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number

EXCHANGE RATES

Exchange Rates (Fiscal Year)

Year INR	INR Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
Q1 2018-19	67.04

Exchange Rates (Calendar Year)

Year	INR Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12

Source: Reserve Bank of India, Average for the year

DISCLAIMER

India Brand Equity Foundation (IBEF) engaged Aranca to prepare this presentation and the same has been prepared by Aranca in consultation with IBEF.

All rights reserved. All copyright in this presentation and related works is solely and exclusively owned by IBEF. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of IBEF.

This presentation is for information purposes only. While due care has been taken during the compilation of this presentation to ensure that the information is accurate to the best of Aranca and IBEF's knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

Aranca and IBEF neither recommend nor endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed on this presentation.

Neither Aranca nor IBEF shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.