



Indian Organised Retail: In Search of the Right Model

Indian organised retail sector is in a nascent stage, with a few major players, compared to the 15 million kirana stores through which more than 90% of retailing happens in India. However, with the middle class Indian population and disposable income of the young population increasing, organised retailers were almost on the verge of a major breakthrough. New players are entering the retail sector with different formats and incumbents are continuously experimenting to attract customers. But understanding the Indian customer remains a tough task as many of the retailers have failed to establish their formats and many are only moderately successful.

The most successful model seems to be Future Group's Big Bazaar which had received lot of accolades for the innovative model and 'dead cheap' prices that even the lower class can afford. Starting from a small showroom in Mumbai, Pantaloon Retail has changed to a rolling juggernaut named Future Group. With lots of shop-in-shop formats and many other independent retail chains, Future Group is in an admirable position in the retailing field of India. However, Future Group is not free from competition though many of its competitors are far behind. One of the competitors, a late comer to the field of retailing, ITC (earlier Imperial Tobacco Company) has changed its image of a cigarette maker to a socially responsible conglomerate through its innovative initiatives in retailing and agribusiness. Its rural retailing initiative through rural shopping mall Choupal Sagar and innovative IT project, e-choupal, intended to help farmers had helped it to change the retailing picture in the rural areas. Soon, with its retail-wholesale vegetable and fruit outlet Choupal Fresh, it made a grand entry to the urban retail sector. Moreover, its food and staples brands such as Ashirvaad and Kitchens of India are best selling national brands and are sold even through its competitors' outlets and a great number of kirana stores. But ITC's retailing strength lies in Lifestyle Retailing Business Division (LRBD), which sells the Wills Lifestyle brands of casual and formal wears. With the help of latest technology and a desire to make it big, LRBD has already become famous with its brands like John Players and Miss Players.

The potential of Indian retail sector has lured many of the business corporations since its inception. One of the latest entrant in the retail field is the largest public company in India, Reliance Industries Limited (RIL). Though initial retailing model of Reliance Fresh, a retail chain to sell fruits, vegetables and staples, was not a success, RIL had planned a huge entry to the Indian retail. Through its retail arm, Reliance Retail Limited (RRL), RIL has opened independent retail chains on 14 verticals. Its exorbitant models were rolled out with enough flamboyancy. The models and formats were innovative, different and appealing. RRL and its 'retail conglomerate' model was expected to be a success. However, the competition that RRL had to face was stringent as it had to compete with specialty chains in each of the verticals. Incumbents ITC and Future Group also gave a tough time to RRL. Still

the capital intensive model of RRL was expected to survive and things were fine until global recession hit India in 2008. The recession had damaged the growth of Indian organised retail considerably; forcing many of the famous retailers shift locations or close unviable stores. The three major groups had also suffered from the credit crunch and drop in the conversion rates in the stores. While Future Group has managed to find a comparatively better growth rate, ITC's LRBD had shifted its store locations. RRL is facing dire consequences as the competition in each vertical stiffens and sales drop. The viability of its 'retail conglomerate' model seems distant.

However, Indian organised retail sector is fast recovering from the devastating effects of recession, thanks to India's strong economy. However, capital intensive retail models like that of RRL will have to wait. Finding the right retail format that can appeal to the Indian customer remains a challenge to the organised retailers.

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