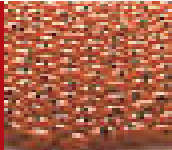
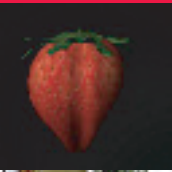


August 2005

Retail Industry - Where does India Stand?

By Sanjeev Kumar



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Role of the Retail Sector:

The retail sector has played a phenomenal role throughout the world in increasing productivity of consumer goods and services. It is the second largest industry in the United States of America in terms of numbers of employees and establishments. Wal-Mart, the largest retailer in the United States is also the largest employer in the United States with annual sales over \$ 284 Billion. There is no denying the fact that most of the developed economies are very much relying on their retail sector as a locomotive of growth. Analysts, CEOs, and others are using consumer spending and consumer confidence data originating from the retail sector as an indicator to gauge the status of the economy.

Size of the Retail Sector:

According to the figures from National Retail Federation, the retail sector in the United States employs more than 20 Million people - about 1 in 5 American workers. The annual registered sale for the year 2002 was around \$ 3.6 trillion . This gives us an idea about the size of the retail sector against the \$ 11.66 trillion US economy (according to World Bank figures).

Most of the developed economies (US, UK, Canada, Germany, France, Italy and others) around the world have benefited enormously by liberalising their retail sector.

This brings me to the big question where does India stand in retailing?

India's retail sector which accounts for about 9-10% of the country's GDP remains one of the least developed sectors in India. The estimated annual retail sales accounts for about \$ 6 billion and is expected to reach \$17 billion dollar mark by the year 2010 according to a study done by the Associated Chambers of Commerce & Industry (ASSOCHAM). According to some analyst by the year 2010 the retail sector in India has the potential to reach \$ 270-280 billion dollar mark.

For this to happen, the government will have to bring about the required liberalisation in the retail sector, if India is

to ever become a developed economy. Historically, the Indian retail sector has been dominated by small independent players such as traditional, small local *panwalas* (grocery stores) and others. Recently organized, multi-outlet retail concept has gained acceptance and has since then accelerated.

All major global players such as Wal-Mart, Tesco, Sainburys and others are keen to enter the Indian retail market. A T Kearney ranked India 5th out of 30 most attractive retail markets in terms of investment.

Recently the Indian government has hinted towards taking the necessary steps to liberalize the retail market in India. However there are concerns being expressed by the protectionists in and outside the government.

In my opinion, the time is just right for the government to push for the liberalisation of the retail sector in India. If they are sincere about making India a developed economy, the government should not miss this opportunity to create millions of jobs throughout India, not to mention the boost to its overall GDP.

What should the Govt do?

There are numerous ways the government can please the protectionist and bring about the liberalisation.

I think the licensing approach might be a good way forward.

The license should be divided into three different categories:

Local, regional and national.

Big players like Wal-Mart, Tesco and Sainburys should be asked to bid for the licensing. This will help the government generate additional revenues to pay compensation or help to train the people who are going to lose their livelihood. These people after being trained can then be hired by the big retailing stores. One has to keep in mind that the cost of training in the retail sector is minimal in comparison to the other sectors. There won't be any significant cost involved.

It will be beneficial for the big retailers to operate in India with an Indian trading name.

Benefits to the Indian consumer:

One has to agree that the entrance of big players will ensure the higher quality of service and produce being sold to the consumers. There are other indirect benefits in terms of choice and pricing that will be passed along to the consumers as the big retailers will compete with each other for greater share of the market.

Benefits to the supply chain:

Farmers and suppliers will be able to sell their produce directly to the major retailer and hence make more profit on their produce and have a peace of mind when it comes to payment. Big retailers might collaborate with farmers and suppliers and might inject the much required cash to make sure the supply chain is efficient and strong. There are several other indirect benefits that will be passed along to the farmers and suppliers as the big retailers will compete for better produce and range.

Conclusion:

The case for liberalisation of FDI rules in the retail sector can't be any stronger. We can see the enormous benefits that it will bring to the Indian economy. With any further delay India might lose out.

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