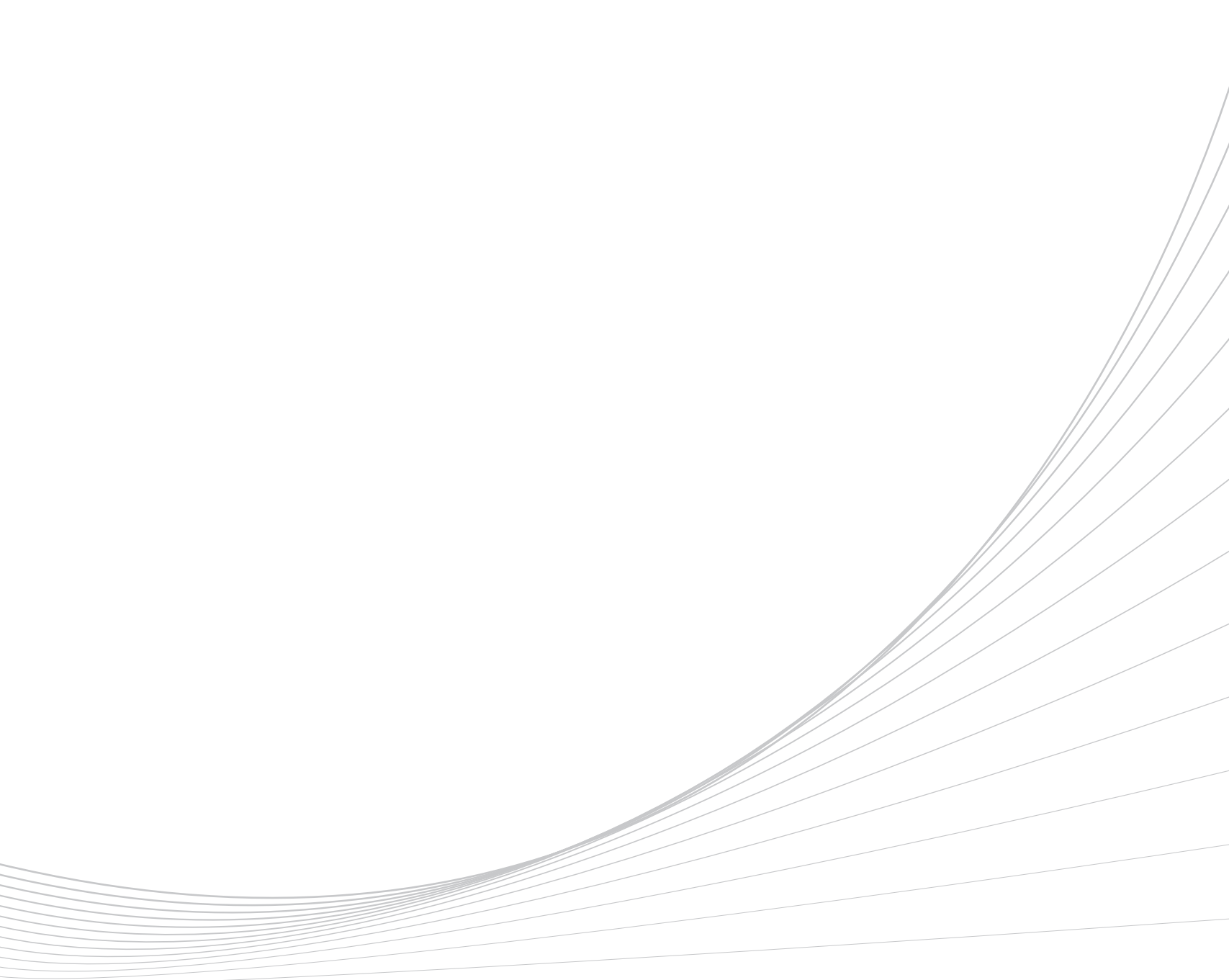




Emerging Trends in Indian Retail and Consumer 2011

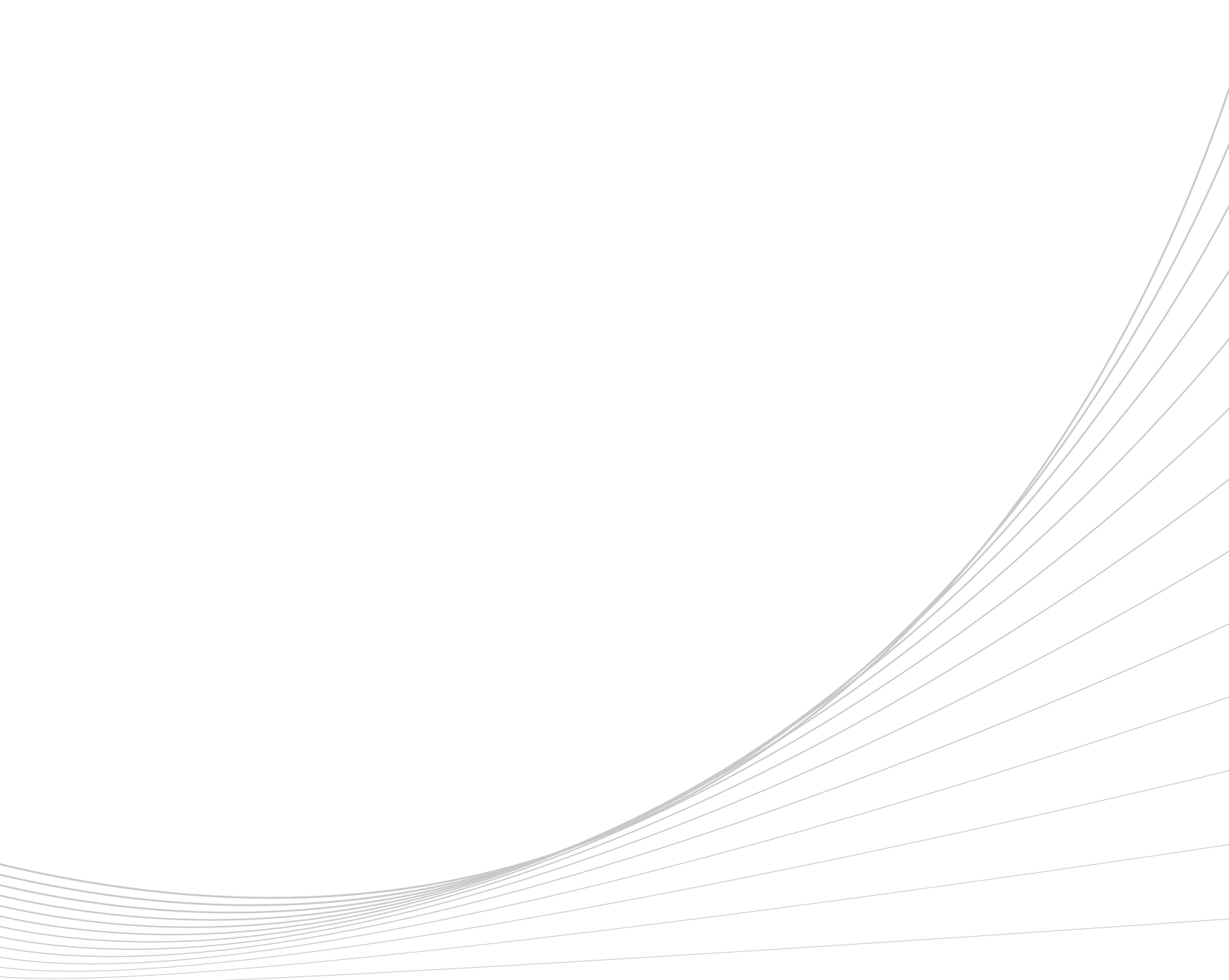
technopak





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Key Consumption Trends	27



About Technopak



- India's leading management consulting firm with more than 20 years of experience in working with organizations across consumer goods and services
- Founded on the principle of “concept to commissioning”, we partner our clients to identify their maximum-value opportunities, provide solutions to their key challenges and help them create a robust and high growth business models
- Ability to be the strategic advisors with customized solution during the ideation phase, implementation guides through start-up and a trusted advisor overall
- Drawing from the extensive experience of 150+ management consultants, Technopak specializes in the consumer sectors of Retail & Consumer Goods, Fashion & Textile, Apparel Operations, Healthcare, Education and Food & Agriculture



- Technopak brings an in-depth understanding of the Indian marketplace useful in developing the right roadmap for the clients
- With more than 20 years of tracking the consumer behaviour and consumption therein, we develop customized solutions which are unique and practical
- We have been mapping ~100,000 consumers every year and our Consultants travel across geographies for every project to gather valuable trade practices and we do ~5,000 trade interviews every year
 - » We have the ability to forecast consumer trends and conceptualize truly topical and robust strategies in collaboration with our clients
- Technopak has been the most trusted partner for organized retailers in the country
 - » Our client contribute ~35% of the total organized retail revenue in the country
 - » More than ~15,000 stores across 200 cities
 - » 6 out of the top 10 retailers of the country
 - » Market Leaders across categories including supermarkets, dairy, mobile handsets, fashion accessories, cycles etc.
- Preferred partner for global retailers for preparing the market entry roadmap
 - » Top 2 global retailers by revenues
 - » Top retailers from US, UK, France, Italy, Germany, Australia, Sri Lanka, Dubai, Turkey, Netherland
 - » Categories include food & grocery, mother & child, footwear, home improvement, electronics, eyewear, books & music, men & women apparel, health & beauty, fitness across cash n carry, hypermarkets, supermarkets and specialty formats
- Go to market, market growth and modern trade strategy for consumer products companies
 - » 6 out of the top 10 FMCG companies in the country
 - » Categories include home & personal care, processed food, consumer electronics, apparel, dairy, paints, Tyres, etc.



Indian and International Retailers

- Cash & Carry
- Department Stores
- Hypermarkets
- Non-Store
- Specialty Retail
- Supermarkets

Consumer Product Companies

- FMCG
- Food and Grocery
- Electronics, Durables, IT, Communications
- Apparel, Footwear and Accessories
- Furniture & Furnishings
- Health and Beauty
- QSRs and Fine-Dining Restaurants
- Others

Retail Service Providers

- Information Technology
- Logistics Companies
- Products/ Services Suppliers
- Warehouse Companies

Real Estate Companies

- Shopping Mall Developers
- SEZ Developers
- Mixed-Use Developers

Government Organizations

Developmental Bodies and Public Sector Units

Private Equity and Financial Institutions



Business Strategy.

Assistance in developing value creating strategies based on consumer insights, competition mapping, International benchmarking and clients capabilities

- Corporate Strategy
- Organic Retail Growth Strategy
- Growth through Partnerships, JVs and Acquisitions
- Real Estate Planning

Performance Enhancement

Operations, industry and MOC expertise to enhance the performance and value of client businesses

- Productivity Enhancement
- Merchandising and Category Management
- Sourcing and Supplier Management
- Pricing, Promotions and Range Architecture
- Private Label Programmes

Start-Up Assistance

Leveraging operations and industry expertise to 'commission' the 'concept' on a turnkey basis

- Project Management
- Sourcing and Buying Implementation
- Organization Design and Creation
- Supply Chain and Logistics
- Retail Operations Framework
- Post Implementation Assistance
- Franchisee Identification

Capital Advisory

Supporting business strategy and execution with comprehensive capital advisory in our industries of focus

- M&A
- Due Diligence – Commercial & Financial
- Fund Raising
- Corporate Finance

Consumer Insights

Holistic consumer understanding applied to offer implementable business solutions

- Shopper Insights
- Trend Insights
- Design and Innovation Insights
- Marketing Communication

Retail Analytics

Turning the customer data into assets for driving key business solutions

- Customer contact strategy
- Assortment and Store Planning
- Customer Segmentation
- Loyalty Strategy
- Supplier Partnerships
- Private Label Strategy
- Pricing and Promotions



Market Assessment

Assistance in developing India specific value proposition based on consumer insights, competition mapping, local trade characteristics and clients objectives

- Market Potential
- Competitive Benchmarking
- Regulatory Environment
- Business Planning
- Marketing Strategy

Partnership Assistance

Facilitating tie-up with a suitable business partner, based on the fit with the business requirements

- Development of Partnership Operating Model
- Identification of Suitable Partners
- Negotiations and Finalization of MOU

Business Modeling

Leveraging Market and consumer understanding to recommend a robust long term strategy

- Roll-Out Potential across Geographies
- Product Merchandising Strategy
- Pricing Architecture
- Financial Modeling
- Risk Assessment and Mitigation Strategy

Start-Up Assistance

Applying Indian market understanding and industry expertise to help setting up of business

- Organization Design and Creation
- Sourcing
- Location Identification
- Project Management



Representative Clients : International Brands and Retailers

7

				
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			GIORGIO ARMANI	
			MARKS & SPENCER	
				
				



Representative Clients : Indian Retailers

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Representative Clients : Consumer Products

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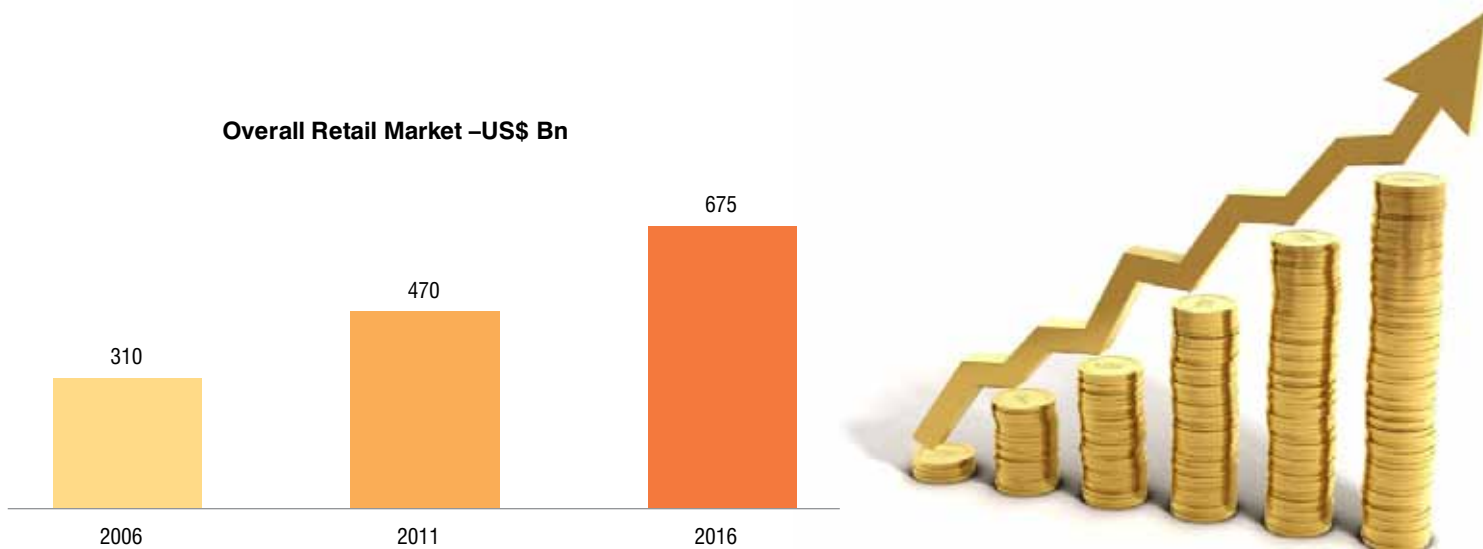
Indian Retail Market



- India's economy has undergone a substantial transformation since its independence in 1947
 - » Agriculture now accounts for only one-fifth of the gross domestic product (GDP), down from 59 percent in 1950, and a wide range of modern industries and support services now exist.
- Starting in 1992, India began to implement trade liberalization measures.
 - » The economy has grown—the GDP growth rate ranged between 6 and 8 percent annually over the period 1992-2010 and considerable progress has been made in loosening government regulations, particularly restrictions on private businesses
- Currently, India is one of the fastest growing economies in the world and By 2030, India would be one of the Top 5 economies in terms of GDP
- The India retail market is estimated at US\$ 470 Bn in 2011, accounting for ~35% of GDP and is expected to grow to US\$ 675 Bn by 2016, @ CAGR of 7.5%
- The organized retail market is estimated at US\$ 26 Bn and accounts for ~6% of the overall retail market for 2011. The organized retail market is projected to grow to US\$ 84 Bn by 2016, @CAGR of 26%
- With an estimated market of US\$ 325 Bn, the Food & Grocery segment is the single largest retail category and accounts for ~70% of the total retail market in 2011. The organized retail segment for Food & Grocery is estimated at ~US\$ 9 Bn and accounts for 35% of all organized retail
- The retail market in India offers significant opportunities for retailers & brands across categories. This is driven by factors such as a large consumer base, rising incomes & job opportunities, increasing consumer awareness, etc



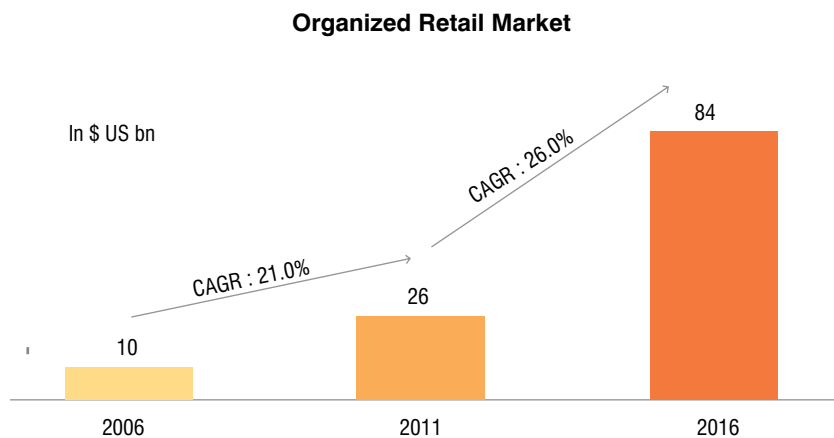
The retail market in India is estimated at US\$ 470 Bn in 2011 and is projected to grow to US\$ 675 Bn by 2016, CAGR of 7.5% for the period 2011-16



Source: Technopak Analysis



The organized retail market in India is estimated at US\$ 26 Bn in 2011 and is projected to grow to US\$ 84 Bn by 2016, CAGR of 26% for the period 2011-16

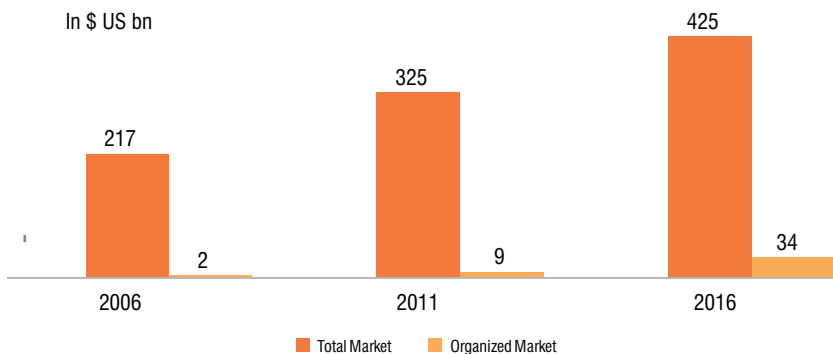


Source: Technopak Analysis



- Food and Grocery market in India is estimated at US\$ 325 Bn in 2011 (69% of the overall retail) and is expected to grow to US\$ 425 Bn by 2016 (63% of the overall retail) , @ CAGR of 5.5%
- The organized Food and Grocery retail market in India is estimated at US\$ 9 Bn in 2011 and is expected to grow to US\$ 34 Bn by 2016, @ CAGR of 30%

Organized Retail Market



Source: Technopak Analysis



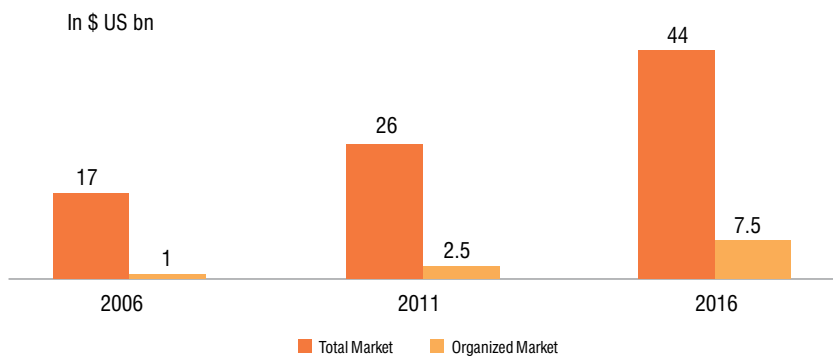
- Apparel market in India is estimated at US\$ 35 Bn in 2011 and is expected to grow to US\$ 50 Bn by 2016, @ CAGR of 7.5%
- The organized Apparel retail market in India is estimated at US\$ 5.5 Bn in 2011 and is expected to grow to US\$ 8 Bn by 2016, @ CAGR of 8.5%



Source: Technopak Analysis



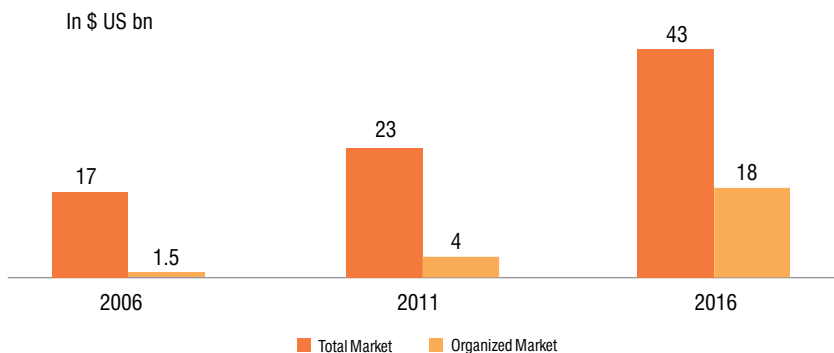
- The Jewellery & Watches market in India is estimated at US\$ 26 Bn in 2011 and is expected to grow to US\$ 44 Bn by 2016, @ CAGR of 11.5%
- The organized Jewellery & Watches retail market in India is estimated at US\$ 2.5 Bn in 2011 and is expected to grow to US\$ 7.5 Bn by 2016, @ CAGR of 25%



Source: Technopak Analysis



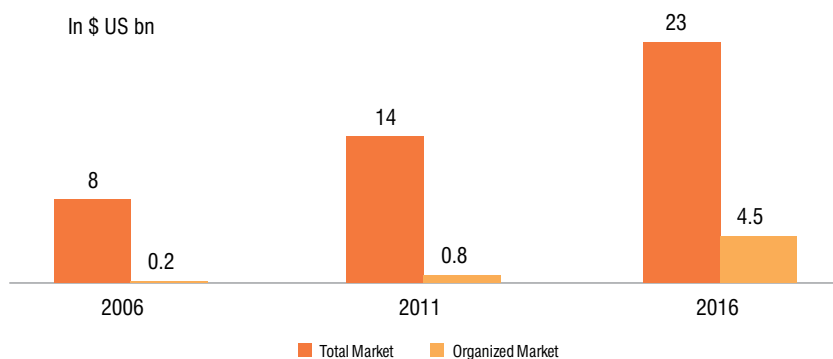
- The Consumer Electronics, Durables, Mobiles & IT market in India is estimated at US\$ 23 Bn in 2011 and is expected to grow to US\$ 43 Bn by 2016, @ CAGR of 13.5%
- The organized Consumer Electronics & IT retail market in India is estimated at US\$ 4 Bn in 2011 and is expected to grow to US\$ 18 Bn by 2016, @ CAGR of 35%



Source: Technopak Analysis



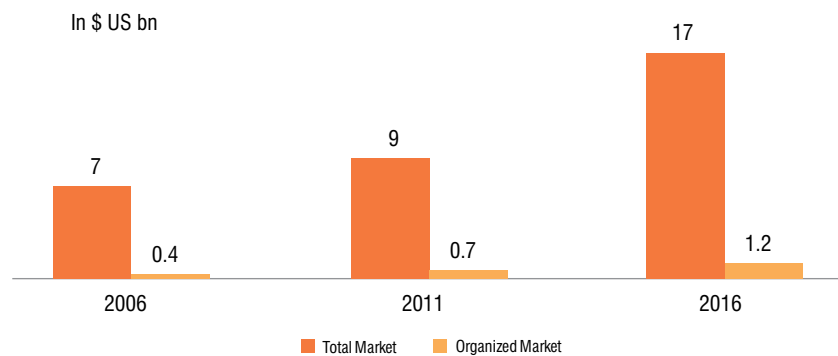
- The Pharmacy market in India is estimated at US\$ 14 Bn in 2011 and is expected to grow to US\$ 23 Bn by 2016, @ CAGR of 11.0%
- The organized Pharmacy retail market in India is estimated at US\$ 0.8 Bn in 2011 and is expected to grow to US\$ 4.5 Bn by 2016, @ CAGR of 41%



Source: Technopak Analysis



- The Home Furnishings and Furniture market in India is estimated at US\$ 8 Bn in 2011 and is expected to grow to US\$ 17 Bn by 2016, @ CAGR of 13.5%
- The organized Home Furnishings and Furniture retail market in India is estimated at US\$ 0.7 Bn in 2011 and is expected to grow to US\$ 1.2 Bn by 2016, @ CAGR of 12%



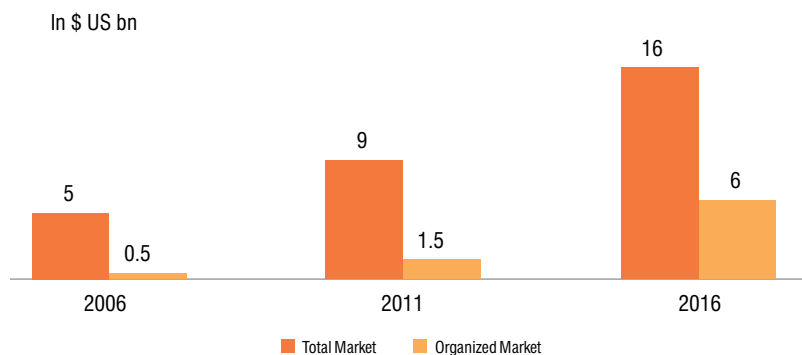
Source: Technopak Analysis



Category : Food & Beverages Services (Eating Out)

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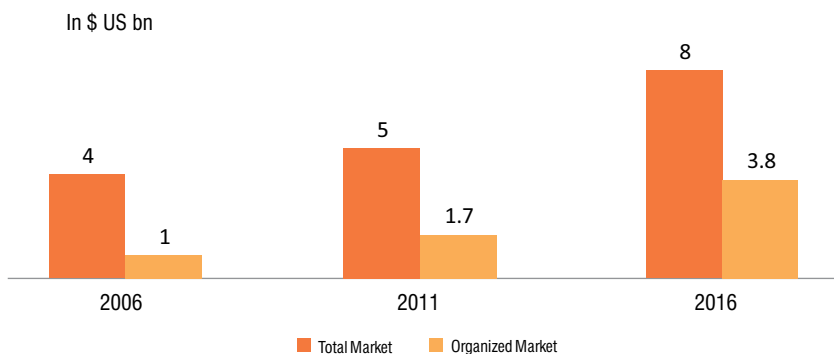
- The Food & Beverages Services market in India is estimated at US\$ 9 Bn in 2011 and is expected to grow to US\$ 16 Bn by 2016, @ CAGR of 12.5%
- The organized Food & Beverages Services retail market in India is estimated at US\$ 1.5 Bn in 2011 and is expected to grow to US\$ 6 Bn by 2016, @ CAGR of 30%



Source: Technopak Analysis



- The Footwear market in India is estimated at US\$ 5 Bn in 2011 and is expected to grow to US\$ 8 Bn by 2016, @ CAGR of 13.0%
- The organized Footwear retail market in India is estimated at US\$ 1.7 Bn in 2011 and is expected to grow to US\$ 3.8 Bn by 2016, @ CAGR of 17.5%



Source: Technopak Analysis

India Retail Market (Overall) : By Category

The total retail market in India is estimated at US\$ 470 Bn in 2011. The Food & grocery segment is the largest retail category and accounts for ~70% of the total retail market.

Category	2006	2011	2016	CAGR (2011-16)
Food and Grocery	217	325	425	5.50%
Apparel	25	35	50.2	7.50%
Jewellery & Watches	16.5	25.6	44.2	11.50%
Consumer Electronics & IT	16.5	22.7	42.8	13.50%
Pharmacy	8	13.9	23.4	11.00%
Furnishings & Furniture	6.5	9.1	17.1	13.50%
Restaurants and Food Joints	4.6	8.8	15.8	12.50%
Footwear	3.6	4.5	8.3	13.00%
Beauty Services	0.6	1.3	3	18.00%
Health/Fitness Services	0.4	1	2.5	20.00%
Others	11	23	42.5	13.10%
Total (US\$ Bn)	310	470	675	7.50%

Source: Technopak Analysis



India Retail Market (Overall) : By Category

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- The organized retail market is estimated at US\$ 26 Bn in 2011 and is expected to grow to US\$ 84 Bn by 2016 at a CAGR of 26.0%.
- At 35%, Food & Grocery has the highest share of organized retail . Food & Grocery along with Apparel, Jewellery & Watches and Consumer Electronics & IT accounts for ~80% of the organized retail market in India in 2011.

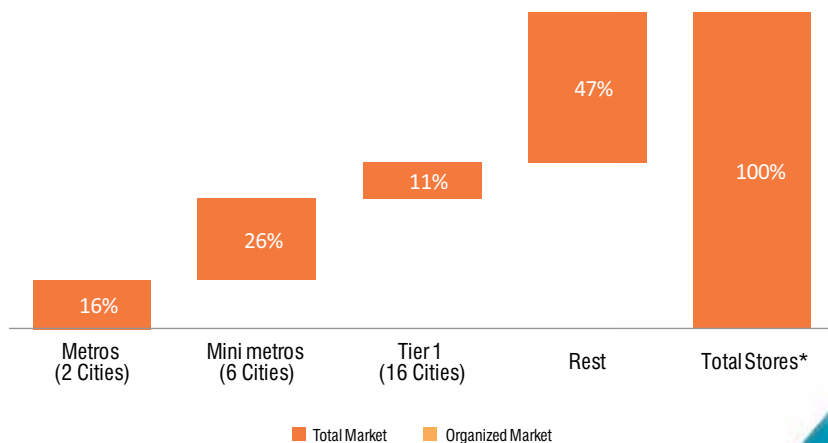
Category	2006	2011	2016	CAGR (2011-16)
Food and Grocery	2	9	34	30.00%
Apparel	3.5	5.5	8	8.50%
Jewellery & Watches	1	2.5	7.5	25.00%
Consumer Electronics & IT	1.5	4	18	35.00%
Pharmacy	0.2	0.8	4.5	41.00%
Furnishings & Furniture	0.4	0.7	1.2	12.00%
Food & beverages (Eating out)	0.5	1.5	6	30.00%
Footwear	1	1.7	3.8	17.50%
Beauty Services	0.2	0.2	0.5	20.00%
Health/Fitness Services	0.1	0.2	0.6	25.00%
Total (US\$ Bn)	10	26	84	26.00%

Source: Technopak Analysis



Geographical Distribution of Key Organized Retailers

- For the top 8 retail categories ~50% of the retail stores are present in top 25 cities
- Categories like Apparel, CDIT & Footwear are relatively mature retail categories and have a wider retail presence, mostly accounted for by smaller cities (>60% of the stores)

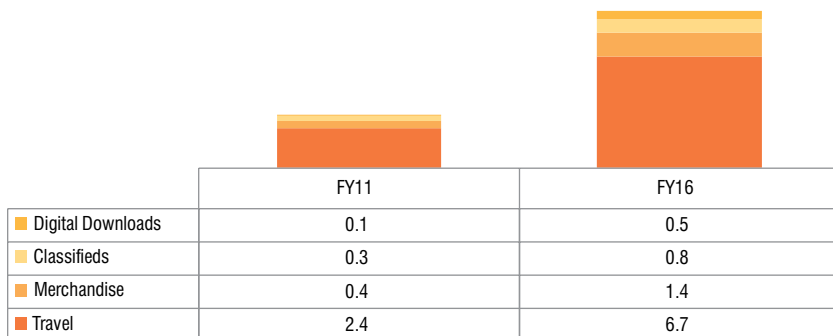


* - Stores of Key Players for top 8 categories

Source: Technopak Analysis



- The current market for non-store retailing in India is estimated at US \$ 3.2 billion and is growing at over 23%
- The industry is largely services driven (85% share) with product sales (e-tailing & home shopping) accounting for the rest of the market



Source: Industry Reports

Key Consumption Trends



Indian Economy is Expected to Touch Almost \$ 3.1 Trillion in the Next 10 Years in Real Terms

- In the last 10 years India has added \$ 930 billion to its economy and will add almost double of that (about \$ 1700 Billion) in the next 10 years
- The Indian economy in 2020 is poised to become bigger than the current size of countries like France, UK or Italy

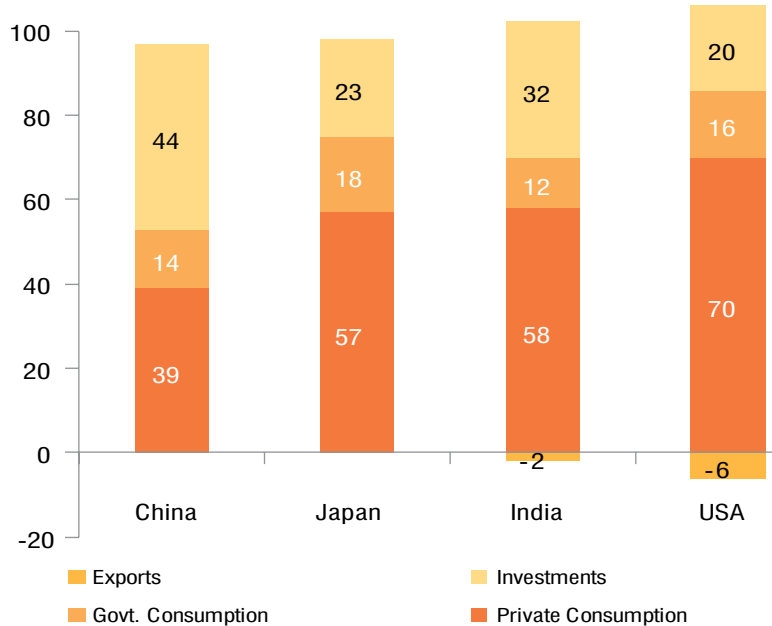
GDP \$ Trillion	1990	2000	2010	2020
USA	6.4	10.8	15.7	18
China	0.4	1.3	5.6	13.2
Japan	3.3	5.2	5.5	6.4
Germany	1.9	2.1	3.6	4.3
France	1.3	1.5	2.9	3.3
UK	1.1	1.6	2.4	2.8
Italy	1.2	1.2	2.3	2.5
Brazil	0.5	0.7	1.9	3.1
India	0.4	0.5	1.4	3.1
Russia	0.5	0.3	1.7	2.7

Source: IMF



Key Components of India's GDP

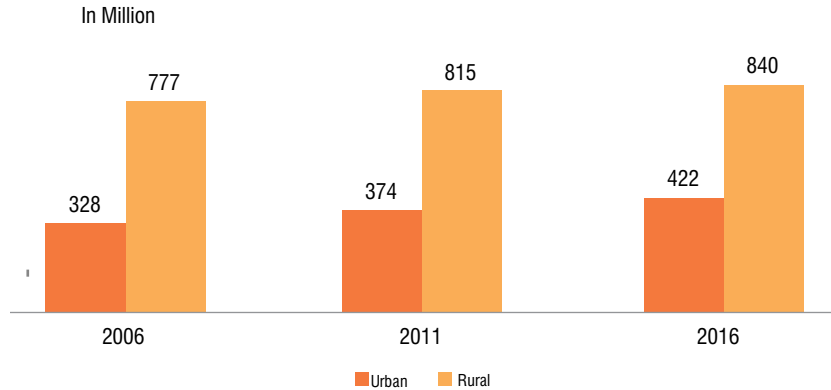
- Share of private consumption is high in India at 58%, compared to China's 39%
- This rate of consumption is expected to remain around 60% over the next decade
 - » At about US\$ 470 Bn in retail spending, capable of supporting many multi-billion dollar consumer product businesses



Source: Govt. Reports



Urban Population will be More than the Combined Population of US, UK And Germany



- During the last fifty years the population of India has grown two and half times, but Urban India has grown by nearly five times
- By 2016, almost 35% of the Indian population will be living in the urban centres
- Urban areas will contribute ~65% to the GDP from the current 60%

Source: Census of India



Dramatically Accelerated Consumption

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	2006	2011	2016
Access to Internet (million people)	32	101	300
Smart phone users (million)	2	48	178
Access to Digital TV (million people)	9	182	364
Households with a 4 wheeler (million)	5	12	19
Laptops / Notebooks (million)	2	12	61
Indians traveling overseas (million people)	8	12	16
Engineers / MBAs graduating every year (million)	0.5	1	2

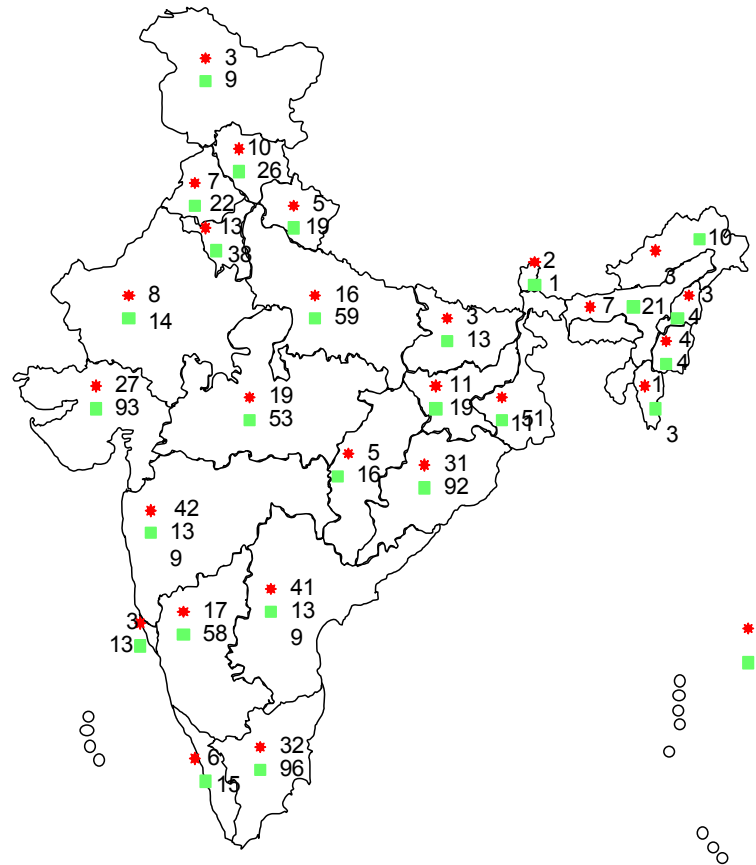


Source: Industry Estimates



Economic Development Already Creating New Consumption 'Hot Spots in the Country

- By 2020, there may be more than 65 Indian cities having population in excess of 1 million and another 200 having population between 500,000 and 1 million
- Many new centre of consumptions are being created across countries led by new investments in manufacturing and services industries



Source: Technopak Analysis



- Value is no longer only about price – it is very clearly Price plus.
- The price plus could be one or more of fashion, quality, convenience, service, experience, innovation.....
- Need based consumption categories to become low-involvement items for the “core” consuming classes. Low-involvement, in turn, will imply:
 - » Consumers zeroing on just one or two attributes for taking the consumption decision e.g. just the size of the LCD panel for the TV, just the capacity of the refrigerator, just the fiber composition of the garment (?) and the confidence in the retailer / brand etc.
 - » Consumers will optimize their purchases largely on simple attributes of price and convenience (time efficiency) in order to release more resources (money, time, mental involvement) for the aspiration / lifestyle based consumption categories
 - » Diminishing power of manufacturers' Brands operating in such categories



- In 2011, 11% of CEOs at 240 India Inc. firms were women, versus 3% for Fortune 500 firms in the United States.
- The recent expansion of the service industry – financial services, call centres, travel agencies, airlines and hotels – has led to increasing demand for women staff; As per NASSCOM The current ratio of women to men in the Business Process Outsourcing (BPO) industry is 69:31
- An estimated 40-50 million working women in the age group of 20-40 in urban India in 2016
- A surge in spending on :
 - » self (clothing, personal care and grooming, accessories, travel) ;
 - » convenience (eating out/ ready to cook; services; personal transport);
 - » children (clothing, educational aids, coaching, hobbies and skill development.....)
 - » and indulgence (digital, consumer durables, holidays....)



- Evolving lifestyles adding many more 'hours and minutes' into the consumer's daily schedule, or taking away 'days' in a year for new interests.
- People spending more time at office, travelling to office and back home, watching TV etc. leading to limited time available for shopping and other activities
- An increasing emphasis on reducing stress and time for routine activities (household chores/ shopping....) and maximizing time with families and friends
- Convenience would be key for consumers :
 - » Shopping Destination : 'All Under One Roof' – Malls; Hypermarkets; Category Killers
 - » Non Store Retail Formats : Easy access and reach – Online , TV, Multilevel marketing

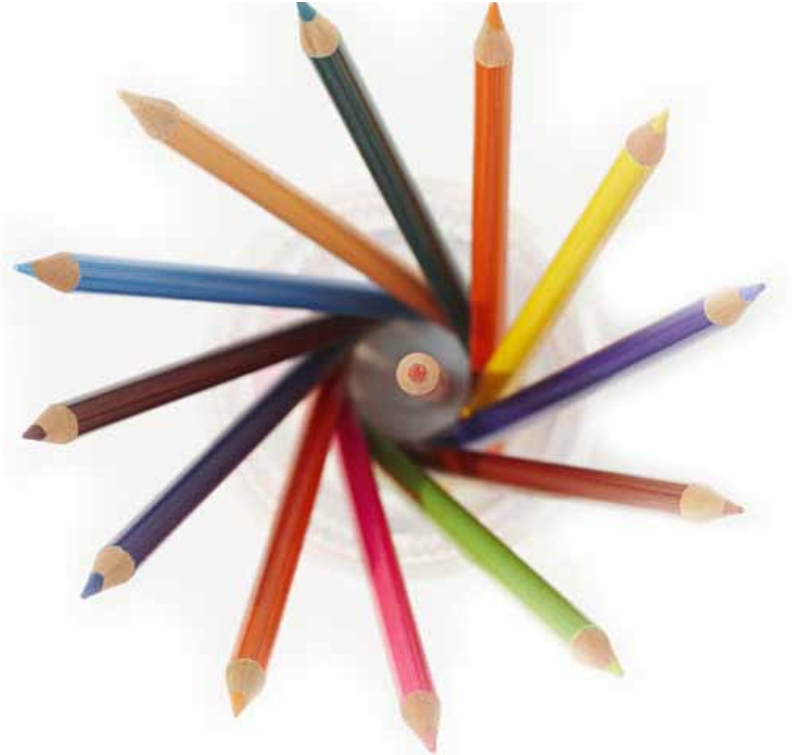


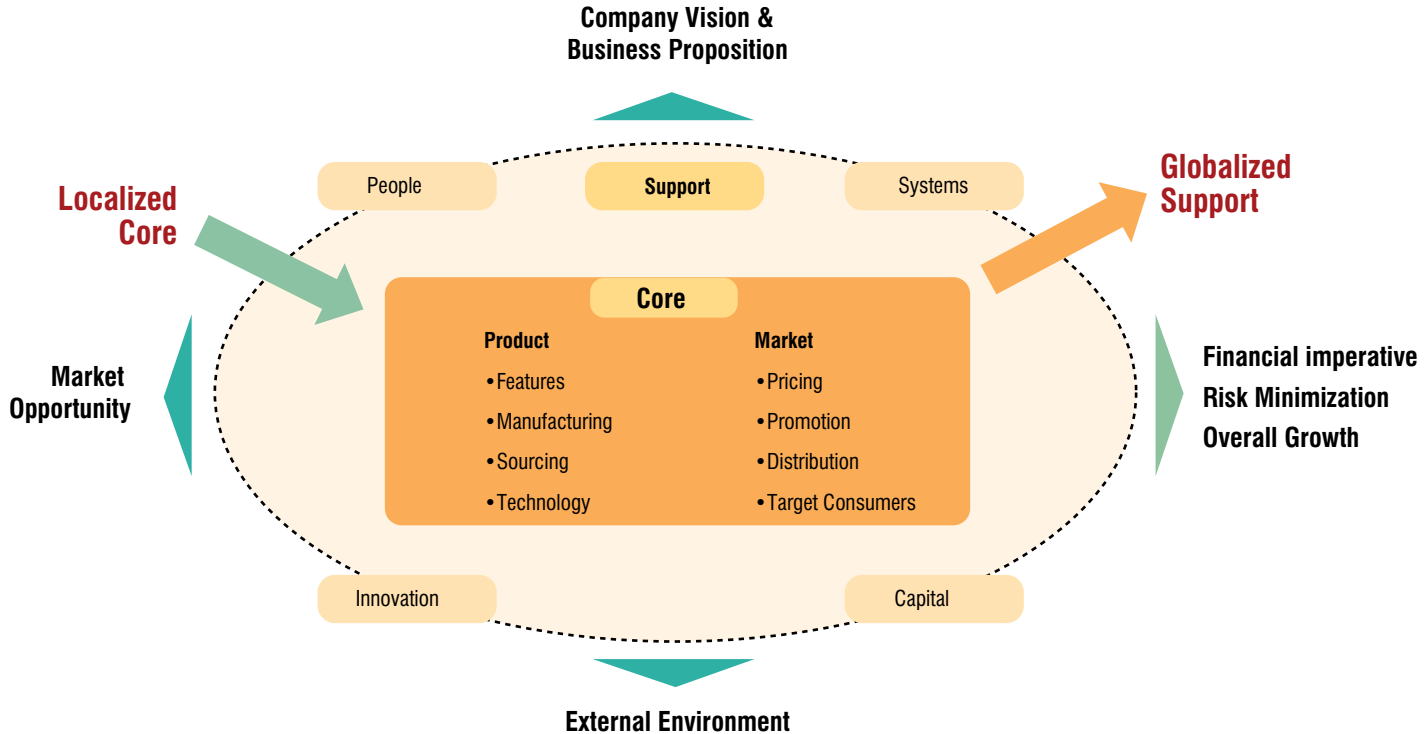
- India has over 600 million active mobile subscribers (as of July 2011) in India, estimated to cross 800 million by 2016 (every Indian above the age of 14 years)
- Mobiles would be the interface for :
 - » Connecting to the internet
 - » Financial transactions
 - » Shopping and digital entertainment
 - » Healthcare delivery
 - » Services on demand
 - » Social networking



Changing Outlook of Multinational Organizations with a Changing Economic Landscape

- With increasing globalization, companies are overhauling their approach to business to more effectively address the opportunities and challenges presented by the multi-polar world
- Business models of companies are therefore moving away from conventional business practices of single nation head-quarters and local partners to a more geographically flexible approach
- For entering new markets companies are aligning their strategies to the external environment by being simultaneously global and local





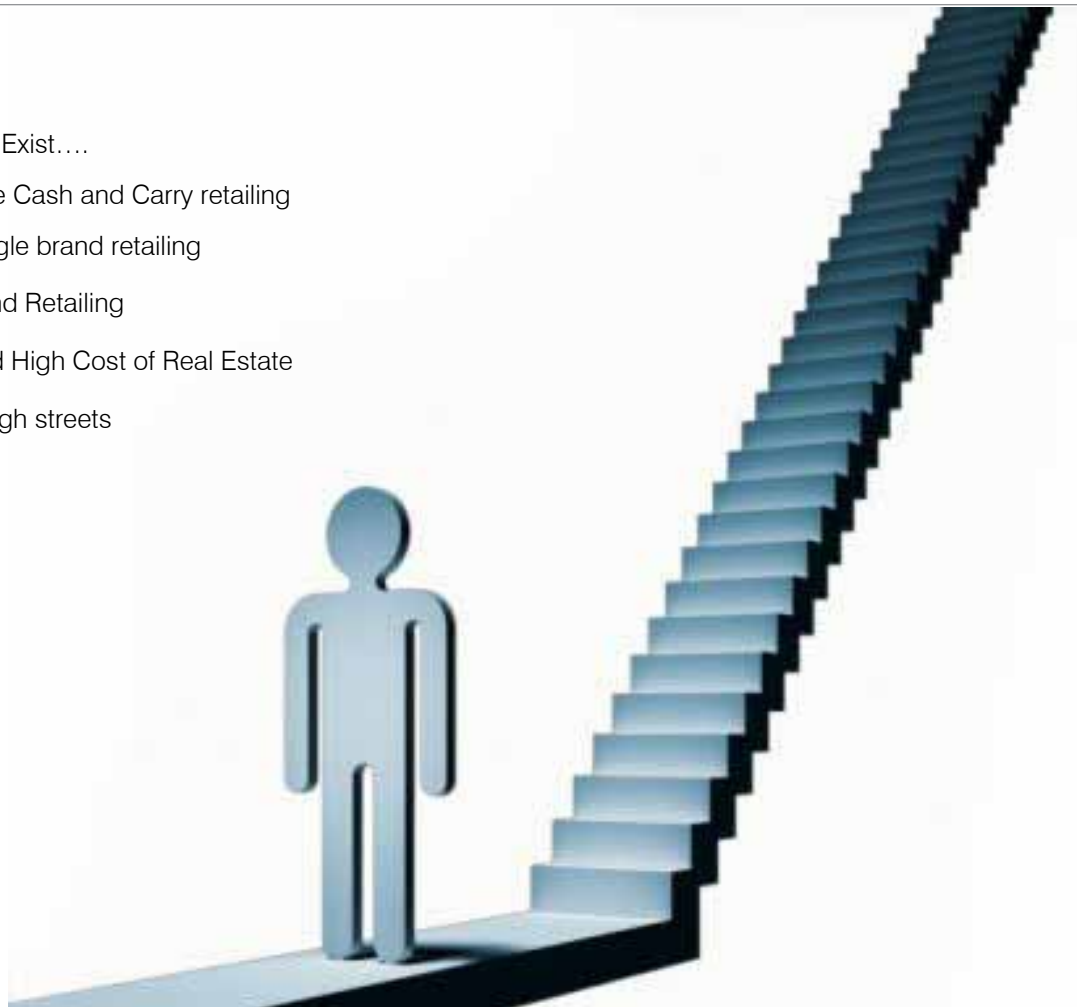
For entering new markets, Companies need to align their internal environment with the external environment, using a Multi Polar Strategy



However, a few challenges still Exist....

39

- However, a few challenges still Exist...
 - » 100% FDI allowed only in the Cash and Carry retailing
 - » Only 51% FDI allowed in single brand retailing
 - » No FDI allowed in Multi-Brand Retailing
- Lack of Quality Real Estate and High Cost of Real Estate
 - » Few successful malls and high streets
- Inadequate Infrastructure
- Lack of Trained Manpower

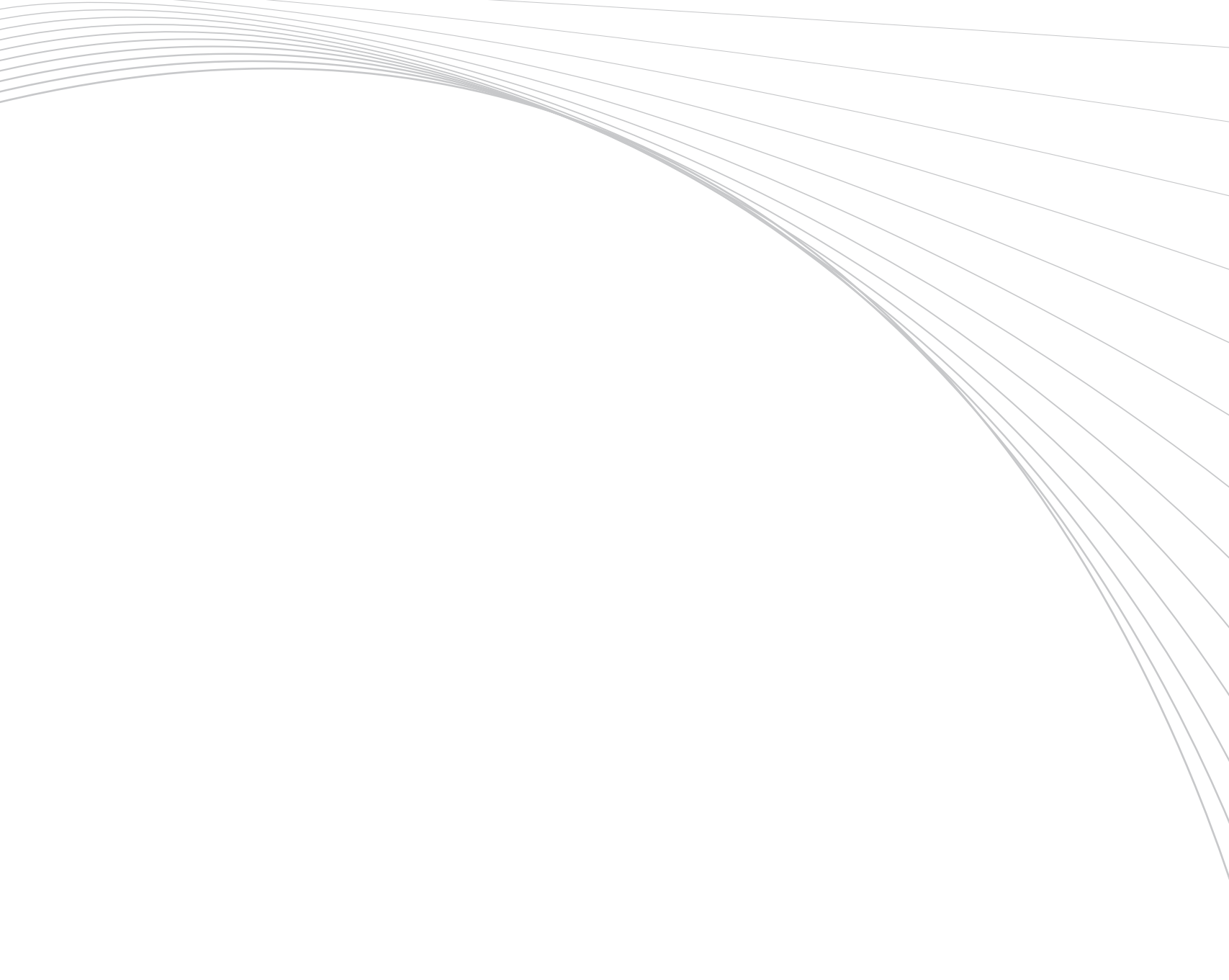


Key Success Factors for An International Brand/Retailer

40

- Creation of Strong / Aspirational Brand
- Differentiation Through Service
- Local Market Adaptation
- Getting the Right partner
- Right Real Estate
- Developing Local Supply Chain
- Dynamic Product Range
- And, Pricing Right







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