



## **Impact of Global Recession on Indian Retail Sector**

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### **Abstract**

Today India is transforming from a socialist economy to a consumption led creative economy. The scope and depth of change that is taking place across India defies description. This change provides both a big challenge and a gigantic opportunity for marketers and retailers. India is the fast becoming the retail heaven of the world.

Retail in India is accounting for over 10% of G.D.P and 8% of employment. There are over 15 million retail outlets in India and 80% of these are small family businesses. The striking feature of Indian retail is duality – presence of modern and traditional retail. Small traders comprised of traditional retail have 96% share of retail sector and 4% share is occupied by modern retail. Corporate retailers however have plan to augment the share of modern retail from 4% to 15%-20% in next 4 years by investing more than \$25 billion .The retail market in India is anticipated to grow to 427 billion U.S.D by the year 2010.

But due to global recession RETAIL confidence has plunged to a five-year low, in a sign the key sector might slip into a recession. Rising inflation and slower consumer spending, the main engine of economic growth had devoured profit margins and sales were also expected to fall. The retail sector has started tumbling. The manufacturing sector has sustained a severe hit. The tourism sector has been affected, too. Hotels have already reported 20-25 % cancellation from international tourists who were booked to visit over the next one year.

The reduced purchasing power of Indian consumers in the current situation has revved up competition among shopping malls. They now have to step up their ad spend along with discounts to lure consumers who have restricted their shopping list to essentials, such as food and other consumables.

But recession has been a roller coaster ride, which we don't know when it all will end. With each passing day, the ride seems to be getting more complex and clueless. However, the good part is, if there really is any, that we are not alone in this. The impact has been really hard and most of the industries under the sun are equally impacted by it. While we have read and heard about the various challenges that a recessionary economy presents, we should also look into the various opportunities that this recession has presented to us.

### **1. Introduction**

Today India is transforming from a socialist economy to a consumption led creative economy. The scope and depth of change that is taking place across India defies description. This change provides both a big challenge and a gigantic opportunity for marketers and retailers. India is the fast becoming the retail heaven of the world.

The Retail Sector of Indian Economy is going through the phase of tremendous transformation. The retail sector of Indian economy is categorized into two segments such as organized retail sector and unorganized retail sector with the latter holding the larger share of the retail market. At

present the organized retail sector is catching up very fast. The impact of the alterations in the format of the retail sector changed the lifestyle of the Indian consumers drastically. The evident increase in consumerist activity is colossal which has already chipped out a money making recess for the retail of Indian economy.

With the onset of a globalized economy in India, the Indian consumer's psyche has been changed. People have become aware of the value of money. Nowadays the Indian consumers are well versed with the concepts about quality of products and services. These demands are the visible impacts of the Retail Sector of Indian Economy.

Since the liberalization policy of 1990, the Indian economy, and its consumers are getting whiff of the latest national & international products, the with help of print and electronic media. The social change with the rapid economic growth due to trained personnels, fast modernization, enhanced availableness of retail space is the positive effects of liberalization.

The growth factors of the retail sector of Indian economy are

- Increase in per capita income which in turn increases the household consumption
- Demographical changes and improvements in the standard of living
- Change in patterns of consumption and availability of low-cost consumer credit

### ***1.1 Retail Statistics***

Retail in India is accounting for over 10% of G.D.P and 8% of employment. There are over 15 million retail outlets in India and 80% of these are small family businesses. The striking feature of Indian retail is duality – presence of modern and traditional retail. Small traders comprised of traditional retail have 96% share of retail sector and 4% share is occupied by modern retail. Corporate retailers however have planned to augment the share of modern retail from 4% to 15%-20% in next 4 years by investing more than \$25 billion.

The Indian retail market, which is the fifth largest retail destination globally, was ranked second after Vietnam as the most attractive emerging market for investment in the retail sector by AT Kearney's seventh annual Global Retail Development Index (GRDI), in 2008.

Commercial real estate services company, CB Richard Ellis' findings state that India's retail market is currently valued at US\$ 511 billion, and is poised to grow to US\$ 833 billion by 2013. The report further stated that organised retail that currently accounts for less than 5 per cent of the total retail market is expected to register a compound annual growth rate (CAGR) of 40 per cent and swell to US\$ 107 billion by 2013.

A report by global consultancy firm, AT Kearney said "The consumer spending in India has increased by an impressive 75 per cent in the last four years and will quadruple in the next 20 years

According to the recent report by McKinsey & Company titled 'The Great Indian Bazaar, Organized Retail Comes of Age in India', India's overall retail sector is likely to grow to US\$ 450 billion by 2015. Another McKinsey report 'The rise of Indian Consumer Market', estimates that the Indian consumer market is likely to grow four times by 2025.

In a joint study recently conducted by ASSOCHAM and KPMG, the following findings were revealed:

- The total retail market size in India in 2008 was estimated at US\$ 353 billion.
- The annual growth of the retail market in India is expected to be around 8 per cent.
- The total retail market size in India is likely to touch US\$ 416 billion by 2010.

- The present share of organised retail sector is estimated at 7 per cent.
- The estimated annual growth of organised retail sector is 40 per cent.
- The size of organised retail sector by 2010 is estimated to reach US\$ 51 billion.
- The estimated share of organised retail in total retail by 2010 is 12 per cent.
- The investment into modern retailing formats over the coming 4-5 years is expected to be around US\$ 25-30 billion.

India has one of the largest numbers of retail outlets in the world. A report by Images Retail estimates the number of operational malls to grow more than two-fold, to cross 412, with 205 million square feet by 2010, and a further 715 malls to be added by 2015, with major retail developments even in tier-II and tier-III cities in India.

## **2 Rural Retail**

Led by the rising purchasing power, changing consumption patterns, increased access to information and communication technology and improving infrastructure, the rural retail market is estimated to cross US\$ 45.32 billion mark by 2010 and US\$ 60.43 billion by 2015, according to a study by Confederation of Indian Industry (CII) and YES Bank.

As per the National Council of Applied Economic Research (NCAER) reports, there are 720 million consumers across 6, 27,000 villages in rural India.

According to a report—India Retail Report 2009—by Images FR Research, "India's rural markets offer a sea of opportunity for the retail sector. The urban-retail split in consumer spending stands at 9:11, with rural India accounting for 55 per cent of private retail consumption." Rural India accounted for almost half of the Indian retail market, which was worth about US\$ 273.64 billion in September 2008. With most of the retail markets getting saturated in tier-I and tier-II cities, the next phase of growth is likely to be seen in the rural markets.

Major domestic retailers like AV Birla, ITC, Godrej, Reliance and many others have already set up farm linkages. Hariyali Kisan Bazaars (DCM) and Aadhars (Pantaloon-Godrej JV), Choupal Sagars (ITC), Kisan Sansars (Tata), Reliance Fresh, and Naya Yug Bazaar, are established rural retail hubs. Retail giants like Reliance, Spencer's and Subhiksha are also expanding in semi-urban and rural areas.

### **1.3 Luxury Retail**

By the next four to five years, India is expected to become a manufacturing hub for global luxury brands, according to a FICCI-Yes Bank report on luxury brands. The report states that India has the most rapidly growing high-net worth individuals (HNI) population in the world, and the income level of consumers is expected to grow three times by 2025. The active age group (25–45 years) is likely to rise to a third of the population.

The report further states that the manufacturing business of luxury items in India can cross US\$ 500 million with global brands like Louis Vuitton and Frette looking at India as a manufacturing base.

According to a survey done by AT Kearney, the Indian luxury retail market is estimated to touch US\$ 30 billion by 2015. Estimated to be the 12th largest in the world, it has been growing at the rate of 25 per cent per annum.

### **1.6 E-tailing**

The increase in personal computers (PC) and internet penetration along with the growing preference of Indian consumers to shop online has given a tremendous boost to e-tailing, the online version of retail shopping. An estimated 10 per cent of the total e-commerce market is accounted

for by e-tailing. Several online retailers are reporting good business in categories like travel, art, books and music. E-tailing in lingerie and fresh fruit businesses is also doing well.

### ***1.7 Retail Franchising***

According to industry estimates, retail franchising has been growing at the rate of 60 per cent in the last three years and is set to grow two-fold in the next five years. And with immense potential seen in this segment, the US\$ 4 billion-franchising industry is likely to see an almost two-fold rise in the number of franchisees (from 0.2 million) by 2010.

## **2. Innovative Retail Concepts**

With the entry of new players and the market becoming increasingly competitive, retail players are using innovative retail concepts to attract consumers.

With reduced commodity prices and the recent excise duty cuts, input costs have come down by around 25-30 per cent in several categories. Subsequently, many value retailers have brought down prices by over 15 per cent for various product categories to encourage greater consumption. They are also stepping up their bargains and discount offers. Retailers like Big Bazaar, D'Mart, Spencer's and Food Bazaar, among other retailers, have begun slashing prices in product categories like apparel, home products, and foods (private labels). In fact, modern retailers are now also selling private labels with consumers looking out for cheaper brands.

Retail companies are also developing and promoting their in-house brands. The Future Group will be targeting profits worth US\$ 2.05 billion from its in-house brands in FMCG, household consumer durable and such as Tasty Treat, Fresh & Pure, DJ&C, Koreo, the company now wants to extend it to additional categories like health & beauty, dairy, apparel, and accessories.

Furthermore, Big Bazaar, the hypermarket chain of Future Group, is introducing Customer Advisory Boards (CABs) as a measure for receiving valuable customer feedback.

With the US\$ 6.31 billion pharma retailing becoming progressively more organised, players are now looking at newer formats to attract more people to their stores. Pharmacy chains like MedPlus and Goodlife have started providing health check-ups, diagnostic services, dental care and medical counseling to its patients, besides selling pharma and wellness products.

Goodlife is tying up with the retail major, Future group, to set up these convenience clinics at malls and in the high streets. MedPlus operates 15 such integrated clinics, and is planning to open at least 50 such clinics by March 2009.

Innovative concepts in recreational retail are pulling people to malls, and big retail set-ups account for a small but rapidly growing part of a multi-million dollar industry. There are a variety of concepts like made-to-order pottery-painting, portrait-making, creating toons or casting gold and silver impressions that have proliferated in malls or exist as standalone ventures. In fact, a whole new concept of customised, leisure retail has opened up for the Indian consumer.

### ***2.1 Global Investments***

India's vast middle class with its expanding purchasing power and its rapidly growing retail industry are key attractions for global retail giants wanting to enter newer markets.

- Impact Retail Private Ltd is planning to invest US\$ 41.16 million for launching 30 Xcite consumer electronics retail showrooms in Indian metros by December 2009.
- Pyramis India (retailers of branded kitchen accessories), is planning to launch 215 exclusive showrooms with at an investment US\$ 4.11 million, over the next four months.
- German lifestyle brand Puma is getting into a joint venture with Knowledge Fire to sell Puma products ranging from apparel to shoes and accessories. Puma will hold 51 per cent stake in the JV. The JV targets to open 40 retail stores in India in 2009 and take it up to 140 by 2015.

- Indian ethnic wear chain, Fabindia has picked up a 25 per cent stake in the UK-based womens' wear retailer EAST. The amount was not disclosed and Fabindia has the choice to buy out the remaining stake in the next three years.
- Footwear retail company Pavers England Footprint, will be investing US\$ 10 million to set up 1,000 stores across India by 2013. Presently, the company has 25 stores in India. The company is also looking at setting up an R&D facility in Chennai for designing footwear, with an investment of US\$ 3 million.
- In partnership with the Future Group, Axiom Telecom (a mobile retail company from West Asia) will be forming a joint venture company called Future Axiom Telecom Ltd. The 50:50 JV plans an initial investment of around US\$ 40 million, and targets setting up 1,500-outlets by the end of December 2009.
- Mumbai-based retail food and grocery player Wadhawan Food Retail (WFRL) plans to invest US\$ 308.90 million to set up 1,300 stores across India during 2008-2012. The retail chain currently has 200 stores, managed through four branded formats - 'Spinach', 'Sabka Bazaar', 'The Home Store' and 'Smart Retail'.
- Spencer's Retail will be establishing 300 additional stores by 2010 with an investment of US\$ 102.88 million. Presently, Spencer's has 700 stores, which account for a retail space of 2.5 million, which will increase by another 1.3 million sq ft by 2010.
- Similarly, ITC's Wills Lifestyle and John Players plan to expand their presence in tier II & III cities, increasing their retail space around 15-20 per cent. Currently, there are over 50 Wills Lifestyle stores in India.
- Shopper's Stop is also planning to invest US\$ 205.78 million for increasing its present store space of 1.3 million square feet to 2.7 million square feet over the coming 3-4 years.
- Leading footwear retailer Bata India is planning to establish 60 stores in 2009 across the country.
- Leading garments retailer Raymonds is planning to establish 50 additional stores in tier II & III cities across the country. According to Aniruddha Deshmukh, President, Retail and FMCG, Raymond, its retail stores have witnessed revenue growth of 12 per cent in recent months, despite the ongoing economic slump.
- Tata Group's Trent, (which operates Westside), is planning to add 8-10 stores every year to its present 31 store in India.
- The Future Group will be investing US\$ 30.86 per sq ft and US\$ 41.15 per sq ft respectively for an additional 3.5 lakh sq ft for Big Bazaar and 50,000 sq ft for Pantaloons stores over the next one year in eastern India.
- Bisk Farm, the US\$ 41.16 million biscuit brand promoted by Saj Industries, will be launching a bakery retail chain called 'Bisk Farm, Just Baked'. The company plans to open 100 franchise stores in different parts of the country soon.

## ***2.2 Government Initiatives***

The government has taken various measures to promote and encourage investment in the Indian retail industry.

The Government allows 100 per cent FDI in cash and carry through the automatic route and 51 per cent in single brands. Besides, the franchise route is available for big operators. To further attract global retailers, the economic survey 2007–08 has suggested a share for foreign equity in all retail trade and 100 per cent in respect of luxury brands and other specialised retail chains.

However, many industry experts feel that the Indian tariff structure has to be streamlined as India levies one of the highest duties and taxes on imported luxury goods. This fuels the growth of the grey market and duty-free purchases, even as the stringent regulatory environment encumbers investment by foreign brands

Indian's organized retail although less than Rs.45000 crore in size, now a battleground for several player. The big player are Mukesh Ambani's Reliance retail, Kishore Biyani's Future Group (Big Bazar and Pantaloon), Tata's group (West side, Landmark, Croma), Sanjeev Goenka's R.P.G Group (Food world & Spencers), Dubai based Micky Jagtiani Land Mark Group (Life Style). Pantaloons , Shopper Stop, West- side, Reebok, Landmark, Crosswords, Cavinkare & Shahnaz Husain have given the valuable Contribution for the tremendous growth of this sector.

Retailers such as Spencer's Retail, Future Group, Shoppers Stop, Westside, Wills Lifestyle, Bata India, and Raymond, have plenty of expansion plans for 2009.

- The Future Group will focus on launching private labels with high profit margins in segments like toothpaste, shampoo, and butter amongst others. According to Kishore Biyani, MD and CEO of the Future Group, "Another thrust area will be entering into new segments like rural retail and telecom products distribution. Through 'Aadhar' we can ramp up rural retail, which is outside the 20 per cent of the population we have been targeting so far."
- Aggressive marketing efforts by leading retailers are on. Tanishq is planning a marketing effort for plain gold along with the World Gold Council during the last quarter of 2008-09. Similarly, Brandhouse Retail is planning a joint venture with a European private apparel label for the next financial year, along with the introduction of a few more international brands.
- In West Bengal, leading retailers like the Future Group and Spencer's Retail, are expanding and upgrading their present stores in 2009. Others like Wills Lifestyle, Turtle Ltd, and Bisk Farm, are planning to set up new stores, particularly in the suburbs.
- Auto company Mahindra & Mahindra (M&M) has made a quiet foray into the retail sector with the soft launch of its specialty format Mom & Me to sell infant care and maternity products. The company has launched two outlets in Ludhiana and Ahmedabad.

### **3. Recession in India**

Global economic meltdown has affected almost all countries. Strongest of American, European and Japanese companies are facing severe crisis of liquidity and credit. India is not insulated, either. However, India's cautious approach towards reforms has saved it from possibly disastrous implications. The truth is, Indian economy is also facing a kind of slowdown. The prime reason being, world trade does not function in isolation. All the economies are interlinked to each other and any major fluctuation in trade balance and economic conditions causes numerous problems for all other economies.

According to official data, industrial growth in August has plummeted to mere 1.3% compared to the same month in 2007. That definitely is cause of concern for policy makers and industries. This data also raised fear of low GDP growth of India. It is being suspected that, our country will face huge problems in achieving even 7.5% growth rate in this fiscal. 1.3 percent industrial growth is the lowest IIP (index of industrial production) data ever registered since last ten years. April-August industrial growth rate is 4.9% which is also the lowest for the first five months of a financial year in 14-year period except 1998 and 2001. To make matters worst, a member of the PM's economic advisory council and director of the National Institute of Public Finance and Policy have confessed that Indian is going through industrial recession.

Several crucial sectors of Indian economy are likely to face serious problems in coming months. Foremost among them is real estate sector. The demand for houses have reduced significantly and property prices across India has registered 15-20% fall. Things are likely to get worst as another 20 percent drop in prices is quite possible in coming six months. The woes of real estate have spread

to construction industry as well. Because of less demand for houses, construction companies are going to suffer big time. Financial services segment is also likely to be a major victim of economic slowdown because of less demand for credit and reduced liquidity in market.

These three segments account for almost one third of services GDP and because of their current and impending plight, attaining 7.5% GDP growth in this current year is quite improbable. Industrial slowdown will also affect transport services. Transport companies are likely to witness drastic fall in their business and profits. Global recession will also lead to less tourists coming to India. That will negatively affect tours and travels industry.

The global economic recession has taken its toll on the Indian economy that has led to multi-crore loss in business and export orders, tens of thousands of job losses, especially in key sectors like the IT, automobiles, industry and export-oriented firms. It has also shaken up the investment regime, which is being restructured, with the telecom sector likely to be declared off-limits for foreign investors.

Although the next two years or more are expected to usher in a difficult phase for the national economy, there are silver linings still amid the dark clouds looming on the horizon. The stimulus package unveiled by the central government should boost exports, especially to the Gulf states, which are still awash in petro-dollars, even if the oil prices have plummeted from \$142 to \$42 within six months.

### **3.1 Indian Retailing Suffers in the Slowdown**

Just a year ago, the retail industry was the next big hope for India's economy. Stores were opening everywhere, with sprawling malls and tony boutiques holding glitzy launch parties across the country. Retailers bought up every inch of space in India's largest cities, sending real estate prices through the roof. Even India's small towns caught mall-mania. But as India's economy feels the impact of the global recession, Indian consumers are cutting back on spending, and retailers are facing a major slowdown.

Even with the weight of America's mighty Wal-Mart Stores behind it, Bharti Enterprises is scaling back. Its Bharti Retail chain, for which Wal-Mart provides logistical and distribution support, plans to close 5 of its 28 Easy Day supermarkets in northern India. "Retail is no child's play," Sunil Mittal, chairman of Bharti Enterprises, said on television in early March. Indeed, in February a Wal-Mart-Bharti joint venture announced an extremely cautious plan to roll out just 10-15 of the BestPrice Modern Wholesale banners over the next seven years.

Pantaloon Retail, India's largest merchant, run by Kishore Biyani, the boldest opportunist in the business, is seeing a severe setback. The group—its top brands are retailer Pantaloon, discount supermarket Big Bazaar, and Central department stores—has cut back on expansion plans from 4 million square feet to 2 million between now and June 2010. "We will now look at smaller stores," Biyani. Same-store sales are way down from a year ago, so he is renegotiating rents and working on revenue share deals with his landlords. "I was an eternal optimist, but now I've become a realist," he says. "The current situation is tough, but it will turn around."

### **3.2 Heavy Toll on Jobs**

The slowdown is aggravating the already high rate of unemployment in India—7.8% officially, but an estimated 22% unofficially. The Federation of Indian Exporters reckons that job losses could be as high as 10 million this year in industries including textiles, engineering, IT, and gems and jewelry.

The Retailers Association of India has slashed growth estimates. The sector, which contributes 12% to the country's gross domestic product, employs 24 million, but only 500,000 work in the "organized sector," or what is modern retailing, according to retail consultant Technopak Advisors. While there are no official numbers on the retail job losses, industry experts say it is around 15%.

Private players and their organized retail chains account for just 4.5% of the \$375 billion Indian retail landscape, but the downturn is more obvious in the smaller number of people who shop in branded stores.

Shoppers Stop, an 18-year-old department store chain, has had a 15% drop in daily consumers, according to CEO Govind Shrikhande, prompting the company to close some of its airport shops and food outlets. And its two-year-old franchise partner—Britain-based Home Retail Group's Argos—exited India in January. An Argos statement said the trial "had not met the planned performance levels to support the investment required in the current Indian economic climate."

Worst hit is India's largest discount retailer, Subhiksha. The Chennai retail chain had expanded tenfold, to 1,655 outlets, in four years, funding its expansion largely by debt. In early January, a large part of Subhiksha's operations came to a halt: 1,200 stores were closed down, its independent directors resigned, and it is battling the issue of nonpayment of dues to suppliers and 15,000 employees. R. Subramanian, managing director of the cash-strapped company, has ruled out bankruptcy and has asked Subhiksha's lenders, such as ICICI Ventures, to restructure its \$150 million debt. He is also willing to sell more equity to raise \$60 million to meet operational expenses, but the lenders are not showing any interest in the unlisted company—not least because it hasn't been audited since March 2007 and has grown too fast.

#### **4. Revised Game Plan**

A late entrant into the arena, Reliance Retail, a subsidiary of \$35 billion petrochemical giant Reliance Industries, had planned to carpet-bomb the sector with every conceivable store format. A staggering 940 stores across 16 formats, including 640 Reliance Fresh outlets, were opened in the past two years. It also has joint ventures with global names like Apple (AAPL), Marks & Spencer, Office Depot, Hamleys, and Diesel.

But its aggressive campaign hasn't panned out quite as planned. Eight months ago, Reliance restructured operations, shut around 20 Fresh stores, and laid off 13% of its 30,000 people. A Reliance spokesman says that the business is "still at the pilot stage", but senior managers claim that the group's assorted formats are losing between \$5 million and \$20 million a month. It's an outcome of scaling too fast.

The problems faced by retailers today stem from the frenetic pace of expansion in the past few years. Retailers grew without setting up proper back-end logistics and supply chains, leaving them vulnerable now that hard times have hit. "They all wanted to grow faster than what their balance sheets would have allowed them to," claims Nikhil Vora, managing director of Mumbai's IDFC-SSKI Securities.

Still, the downturn is producing some unexpected winners: the 12 million neighborhood *kirana* stores, or mom-and-pop outfits, which are the backbone of Indian retail. These 50-to-250-sq.-ft. shops, with low overheads and personalized service, are the survivors. Unlike big retailers that wooed customers with massive discounts, the *kirana* enterprises continued to sell at retail prices and offer short-term credit to customers.

##### **4.1 A Time to Regroup**

But bigger players are thriving, too. Tata Group made its retail debut in 1987, but has grown conservatively and has only 570 stores, ranging from bookshops to jewelry stores to hypermarkets. Its Star India Bazar group entered into a franchise agreement with Britain's Tesco in August 2008 to open 50 outlets in the next five years.

The good news is that the downturn has given retail companies a chance to whip their businesses into shape in preparation for better times. The Aditya Birla Group is revising its More branded grocery store chain, which since January 2007 has added 548 stores and 12,000 employees, an expansion Thomas Varghese, CEO of the group's retail business, describes as "a mad rush to put

stores on the ground." Varghese, who last August transferred from Birla's viscose-fiber yarn division, has since cut staff by 5% and shut down 55 of the 715 stores.

Competition from multinationals will also increase. The Tata-Tesco partnership is also expected to launch supermarkets soon. Bharti Wal-Mart will commence operations in the second half of this year, while other big and small retailers are moving from frenzied growth to a more normal pace. They are focusing on increasing productivity and revenues, and investing to boost logistics and supply chain. "Just as well. Companies are going back to basics," says Arvind Singhal, chairman of Technopak Advisors.

#### **4.2 Recession an opportunity to Emerge Stronger**

Recession is not always a bad thing, it gives the required jolt to the economy to cut the flab and create efficiencies. Maximize your resources, improve synergies and reduce your discretionary costs. However, that doesn't mean you throttle your business with the cost reductions, instead channelize your resources or money into new opportunities. Intel for instance uses the downturn or the troughs in the business cycle to setup chip manufacturing units, as the costs are at an all time low. The same goes for new business acquisitions, as their valuations are lower and attractive in these times. It is also time to reevaluate your markets, your consumers, understand where the lacuna exists and foray into new avenues of business and opportunities

The downturn has come as a blessing in disguise for the Indian retail industry. Some companies may rue the suddenness of the global economic crisis, but the fact is that a correction in operational efficiency and pricing rationale was long overdue, and would have occurred in the medium term anyways.

Whatever be the case, the overdue correction in retail is now pushing consolidation drives and in the process we hope to see emergence of a more efficient and sustainable retail industry in India. With dramatic cut in lease rentals and improved efficiencies in business operations, India will surely emerge stronger as a market for investments and consumption as well. It may not look like it today or a week later, but the current situation has a strong silver lining - an opportunity to create sustainable, profitable, win-win scenarios for the long term.

The current global turmoil and its impact on western economies may compel global retail majors to look to growth coming from emerging markets. It's time for brands that are yet to have presence in India to look at the market more seriously and strategies on effective entry without further delay. It could well be an opportunity for the retail brands to spell out a new 'Vision' for India. Retail visionaries also need to share their concerns and explore the potential of this emerging market.

The global economic downturn should bring realism back to the world and empower companies to be more dynamic in adopting more innovative business practices and deal with the issue of change. India has seen explosive growth in retail in the last decade with the expansion of mall's has been the engine behind this. Generating domestic consumption, being able to identify and target a consumer, the willingness of global brands to act local and achieving operational excellence are going to be critical during this period of change. This is an important period for reflection.

The state, industrial federations and associations (like NASSCOM), also play an important role in boosting the morale and providing the necessary tools and sops to companies. In these times best practices and success stories should be shared with the community, and not held close to the heart. It is not uncommon for bad news, and the woes of the economy to get highlighted, and the cynics will continue to lambast the status quo. If recession is the collapse of our economic system, the accumulated small successes can be the resurrection.

#### **5. Conclusion**

Almost everybody today seems to be discussing about the US Recessionary trend and its impact on emerging countries, more particularly India. Economists, Industrialists and the common man on the streets seem to have been horrified by the very thought of recession in India and that too due to US. Decreasing industrial production, inflation, decreasing job opportunities, cost cutting, reducing

purchasing power parity, et al are the aspects discussed among them through every possible mode like articles, talks & walks and places like washrooms, canteens, etc. But the reality is that India will not be impacted largely by the US recession, simply because India is not which it was in the '80s-90s'.

Although it will be immature on my part to say that India will not be impacted by the US recession at all, but the truth is that it will not get impacted adversely in the magnitude of what everyone feels. There are reasons which makes one feel that India will be adversely impacted by the US recessionary trends ahead. From the American perspective, there has been sub-prime crises, weakening dollar, banking system in crises (credit crises), decrease in aggregate demand, weak consumer spending (high consumer spending which US is famous for) are some of the important ones.

However, it is completely incorrect to blatantly comment that all those economic happenings will take India to recession. The retail market in India is also facing slowdown with the ongoing financial crisis happening across the world markets. Since the markets always have internally linked with each other, the impact of the crisis is generally shared among all. The current meltdown in the world markets is shaking the globe today. Not even a single country seems to be off the hook. The high level of inflation has been a wet blanket for the global markets. The roots of the world markets are nearly pulled away with the heavy downfall of the American financial giants. Amongst many countries, India too not exempted from the impact of world financial crisis. All this is leading to a temporary recess for the markets from a regular busy schedule. However, these fluctuations are not new for global market. For the decades long, markets, across the world, have been witnessing such ups and downs

The inflation or the economic slowdown is adversely affecting the retail industry. With the suddenly disturbed economical status, consumers are gradually losing interest on buying. And for the interested, the unbalanced income, followed by the economic slowdown, is not meeting their buying requirements. This evolution had soon disappointed the hopes of retail industry. But it's all a short-term crisis for the retail industry until the things turn around.

To rectify the things, right solutions are always excavated. Whether the market growth is slower or faster, its potential should not be left unused. New and innovative solutions must be invented to answer the current market slump. Cutting down the marketing and advertising budgets will reduce the financial burden on retailing industry. Marketing and advertising are the supreme factors for the retail industry to penetrate more into retail market. Following innovative marketing and effective advertising at low prices will be a brilliant move for the present day market trends.

In this current meltdown, driving the customers to the retail stores seems high and dry. But, the markets always have the hidden potential despite the slump. Today, the changing market trends demand the retail industry to expand its reach to the more customer touch points so as to drive them to the retail points. 'Low investments and high returns' is now made possible with the arrival of technology enabled marketing services. The retail industry should realize that it would be at a fair advantage of including technology enabled marketing services to unfold the immense retailing opportunities.

The present channel for customer communication is apparently ineffective which the retail industry has been following for the decades. Moreover, it always involves high costs too. The outdated communication channels should be modified according to the changing market trends. Now, an uninterrupted marketing channel, which will be continuously tied to the shoppers, is needed to boost up the retail industry. Going beyond the traditional marketing at low prices will cut down the high costs and brings good returns.

Now it is the time to find the right alternative for the retail industry to bring down the expenses and to move up in the market. With the lacks of online searches, happening daily for the different products, online market is now creating enormous opportunities in retail business. To reach the online shoppers, online retailing is the best alternative solution for the retail industry, through

which online branding can be achieved. Online branding and online marketing are the on going [retail business trends](#).

Besides these, 350 million people with purchasing power cannot be ignored. India has and will be bouncing back to its growth trends in all respects and apparently nothing can stop it. All we need to remember is "Believe in ourselves!" and the management thought "Every problem should be looked as an opportunity.

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