

The retail sector is clawing back

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Mumbai: The last one year has been a most difficult period for the retail landscape. The organised retail penetration in the country remained at 4%, in fact, it shrunk a little, owing to consolidation that followed the shuttering of stores.

Still, the Retailers Association of India (RAI) estimates trade in the country is in excess of Rs 2 lakh crore.

From battling inventory clearance to taking up cost-cutting measures last year, most retailers have come off the melancholic state. Over the last two-three months, things are looking better once again as malls and stores gather footfalls.

From negative same-store sales (SSS) growth, positive growth can be seen across lifestyle, value and home segments. Luxury brands that were severely hit by the slowdown see a light at the end of the tunnel. Brands like Jimmy Choo, Versace and Tod's have takers again. Most luxury brands that have stores in the country say they are witnessing footfalls in the range of 5-10 a day, and at least one piece is sold.

Homegrown retailers are back on the expansion track, hunting newer locations for setting up stores. Along the way, retailers have matured from playing the 'sq ft' game to focusing on efficiencies, said Susil Dungarwal, retail and realty analyst.

It has also dawned on retailers that they cannot continue to do business by being present only in one category. Last year, those present in the apparels business were affected as consumers drastically cut expenses on discretionary purchases. In their tryst with the slowdown, these retailers started chalking out alternate revenue generation categories. As a result, an international brand like Tommy Hilfiger that was earlier happy selling apparels and watches, decided to focus on accessories — a category that is now growing at faster pace than apparels.

Tommy Hilfiger is thus launching products in categories like footwear and luggage. Fossil, another international brand, lowered its price point on watches to Rs 4,999 range to boost consumer sentiment. Fossil India is also focusing on eyewear, leather accessories and a foray into men's footwear is on the cards.

For Gitanjali Group, the multi-faceted jewellery major, retail became a big play last year. In order to diversify its retail business from jewellery, the company acquired MobileNxt, a Bangalore-based retail chain, to launch its Hoop brand of stores. It formed a joint venture with an international eyewear distributor.

Gitanjali later acquired two apparel brands — Lolita and Santa Barbara Polo & Racquet Club. In order to support its core business, the company lined up formats that could house accessories, eyewear, watches, mobile phones, apparels and fashion items alongside jewellery.

Apparel brand Spykar Jeans decided to jump into the cafe business, a segment within retail that is comparatively recession-proof.

Retailers have also started evaluating the needs of consumers. Price has played a big role here. Brands that felt they were over-priced took recourse to discounting. Others did so to clear the inventory. As a result, last year, most retailers were on a never-ending sale. This one move is playing a hitch even now, as most retailers preponed and invariably extended their end-of-season sale.

While some retailers have stuck to their original sale schedule, others have kept offering discounts every two months. “It is like a retailer trying to out-do the other at who starts his discount sale first. This is not a healthy trend for the sector and will also spoil the consumer,” an analyst told *DNA*.

Meanwhile, the sector is still awaiting industry status. As a result, the sector lacks uniform tax structures. Lease rentals alone eat up a major portion of sales revenue. Though almost all retailers renegotiated their rental agreement with property dealers last year and opted for a revenue-share model over fixed rentals, there is no clear guideline over this.

“Unregulated high rentals, uneven tax structures (service tax on rentals), FDI in multi-brand retail, deficiency of proper courses in the education system for retail sector, and shortage of trained manpower are among the major concerns for the organised retail sector,” said Rajiv Agarwal, chief executive officer, The MobileStore.

The sector is also waiting for the government to open up retail trade. However, FDI in retail continues to remain a sensitive subject.

Industry experts believe India is at least 5-6 years away from reaching a 10% organised-retail penetration. For now, the focus remains on driving efficiencies and betting on growing consumer demand in the long term.