Retailers Shift Focus from No of Outlets to How Much they Let in

PRECISION-LED GROWTH Cos enforce profitability targets and shut underperforming stores

Sobia Khan

Changing Landscape

Big chains are rationalising, resizing store networks

Digital-first and global brands are choosing larger, high-footfall locations	H1 2025 saw a **25–30%** slowdown in new store openings	Store additions slowed to **3%** in 2024 from **12%** earlier	Real-estate leasing dipped **6%** year-on-year in Q2 2025

Bengaluru: India's retail sector is shifting from aggressive rollout to disciplined growth, as large chains enforce strict six-to-12-month profitability targets for new outlets and shut underperforming ones while global and digital-first brands look for high-footfall locations to boost offline presence.

Established players such as Reliance Retail, Pantaloons, Westside, and Shoppers Stop have recalibrated their rollout plans, prioritising making every square foot count over store count.

"Profitability is now the north star for expansion, but the 6–12 month performance review window may be too short — most stores need at least two years to mature, depending on geography" said Susil Dungarwal, chief mall mechanic at retail advisory firm Beyond Squarefeet Advisory.

"While D2C brands are moving offline, they are highly selective, doing deep market research before choosing locations," he added.

Digital-first brands like SNITCH and Bewakoof, along with global names such as Skechers, Vero Moda, and Only, are looking to open large-format stores in high-footfall locations to improve visibility and maximise impact.

The cautious approach is echoed across the sector.

The combined footprint of Reliance Retail, Aditya Birla Fashion Retail that owns Pantaloon, D'Mart, Trent, Titan, and McDonald's India witnessed only a 3% uptick to 34,839 outlets in 2024—drastically lower than 12% growth in 2023.

Between January and June 2025, this cohort added approximately 617 stores, down from 850-900 in the same period of 2024—a 25-30% slowdown, said industry experts.

"We continue to add new stores while we weeded out all the stores which did not make sense," Dinesh Taluja, chief financial officer of Reliance Retail, told analysts in a post-first quarter earnings call. "Business-to-business also, we have kind of weaned down some of the low-margin categories, which were not making sense. So, that transition has also been completed and is already reflecting in the numbers."

ET Insight

In 2022–2024, retailers expanded rapidly, creating a high base that makes 2025's slower growth appear natural

Reliance's new benchmark is, any new store must turn profitable within six to 12 months—or be closed. In FY25, the chain shut 2,155 outlets—more than six per day—even as it added new ones.

REALTY DYNAMICS

With the profit-first approach slowing retail expansion, mall operators and developers are actively curating tenant mixes to boost footfalls, combining fashion, food and beverages (F&B), entertainment, and experiential concepts.

During the April-June 2025 quarter, retail leasing across the country's top eight cities stood at 2.24 million square feet, down 6% from a year earlier.

In the first half of calendar 2025, 2.2 million sq ft of new space entered India's retail real estate market — a 346% year-on-year jump, as per CBRE. Total absorption during this period was 3.2 million sq ft, indicating a marginal demand-supply gap that could influence vacancy levels in the short term.

"Well-located, investment-grade malls are showing strong performance with steady rental growth in select micro-markets, whereas underperforming assets face higher vacancy pressures, making location, store size, and experiential appeal the decisive factors for sustained occupancy," said Anshuman Magazine, chairman and chief executive officer, India, Southeast Asia (SEA), Middle East and Africa (MEA), at CBRE. This influx has kept overall vacancy in high-performing malls in check.