

# The Indian Consumer: New Retail Opportunities for UK Brands

Tuesday 9<sup>th</sup> April 2013

## EVENT SUMMARY

On 9<sup>th</sup> April the UKIBC, in cooperation with Ashurst, hosted Rakesh Biyani, Joint MD of the Future Group, for a very interesting discussion on Indian retail and changing consumer trends. At the event we also heard presentations by British brand FG4, and experts from Ernst & Young who shared their views on opportunities in India.

FG4, a new UK lifestyle brand launched by George Davies in 2011, has been very successful in the Middle East and North Africa and they are now very keen to explore the Indian market. FG4 focuses on women and childrenswear and is ideal for the Indian market since 30% of Indian children are under 14. 60% of FG4 garments are already manufactured in India.

The Future Group were the pioneers of modern retail in India. When they started, they had to create all the necessary support infrastructure because it didn't exist before that for example the lack of skilled staff. So they set up training programmes to upskill their staff and virtually created an entire new retail ecosystem the likes of which hadn't been seen in India before.

Rakesh Biyani, Joint MD of the Future Group shared innovative strategies and marketing ideas adopted by his company to succeed in the dynamic yet complex Indian consumer market:

- Adaption is the key to success – when the Future Group forged a joint venture with Clarks in 2009, they advised Clarks to adapt their products for Indian women since they would require different kind of footwear to suit the warmer weather. They spent almost 18 months to adapt their offering but they were rewarded for their efforts because at the end of 2 years they made more profits than previously projected.
- One of their most successful marketing campaigns was to open their doors for a major sale on 26<sup>th</sup> January (Republic Day in India) when all the rest of the stores are shut. The response they received was so overwhelming that they had to close 14 stores by noon on the same day due to all the wares being sold out. Other retailers followed suit and today 26<sup>th</sup> January is the most important day to shop all over the country.
- Future Group's supermarket Big Bazaar was deliberately designed to have a chaotic feel to replicate traditional retail markets and make Indian customers feel at home shopping there. However, as time passed, they moved in step with the evolving Indian consumer and improved the layout of their stores to be much more organised.

His top recommendations for British brands looking to enter the Indian market are as follows:

- The real India is in the inner cities and small towns so British brands should go beyond the metros to reach the real Indian consumer in these areas.
- Even a world class brand needs to rebuild itself in India and educate Indian consumers about its unique value proposition. Businesses have gone to India attempting similar strategies to those used in other foreign markets but then faced disappointment. It is important to know that India is different.
- Keep generating new ideas to grow consumption and change the mindset of Indian customers
- UK companies should bring their knowledge and technical expertise.
- UK companies going to India need to choose the right partner.
- In addition, strategic alignment is very critical for a partnership to be successful.
- The Indian consuming class is 200 million strong and have the money but not enough products to spend it on. They have an inherent affinity for British products and associate them with high quality so British brands should make the most of this advantage.
- Don't be daunted by the slow decision making process at the Central Government level – India's 28 states have their own decision making powers and are the main force driving India's growth story.
- Now that the first step has been taken with regards to FDI in retail, it is only a matter of time before the GST bill is passed which will transform India into one seamless marketplace. Although it has been pending for the past 4 years, there are now murmurs that this will move forward and when it does, it will be a huge constitutional change and one of the most important reforms till date.
- Logistics is improving rapidly – there has been a major influx of international logistics companies which will significantly speed up the movement of goods across the country.
- \$300 billion of new consumption yet to be tapped so there is plenty for everyone - both organised retail as well as the smaller kirana stores. In fact, organised retail finds it difficult to compete with kiranas because the service provided by the latter is much more flexible and tailored to individual customer requirements.

The Indian retail opportunity is huge and will keep expanding:

- The current size of India's retail market is \$500billion - \$35bn of which is organised retail
- Processed food is currently only 15% of the market.
- 69% of India's GDP = domestic consumption.

However doing business in India can be quite challenging for the following reasons:

- Punitive import duties which drive up costs
- Shortage of good real estate – as a result real estate is very expensive
- Customers are price sensitive and want value for money
- Fragmented supply chains and poor infrastructure
- Regulatory framework is complicated

These are the reasons why UK retailers have been cautious and reluctant to go to the Indian market but the policy and business environment is improving every day so things will only get better. In addition, Indian consumers are demanding more Western products every day and their experience and expectations are changing rapidly.

3 Ps to enter India – Planning, Patience and Pricing

Foreign retailers can bring fresh investment, sophisticated new processes and knowledge to help Indian companies revamp their productivity and cut down on wastage as retail will only be sustainable if the back end supply chains are improved.