



MARC

MARC Insights – Retail Industry Overview

2023

Do you want to know more about the Retail Industry?

MARC's Research expertise can help you unlock full potential of your business by gaining deeper insights on your target market, understand your customer requirements better, know your competition's actions and performance and hence derive the most optimum customer value proposition to make your business a success!

Retail industry In India

The Indian Retail industry has always been one of the most versatile and high growth industries in the country. India is regarded as one of the most favourable nations to invest in the retail sector. A growing urban population, rising income level, connected rural consumers, and increased consumer expenditure, are all contributing factors.

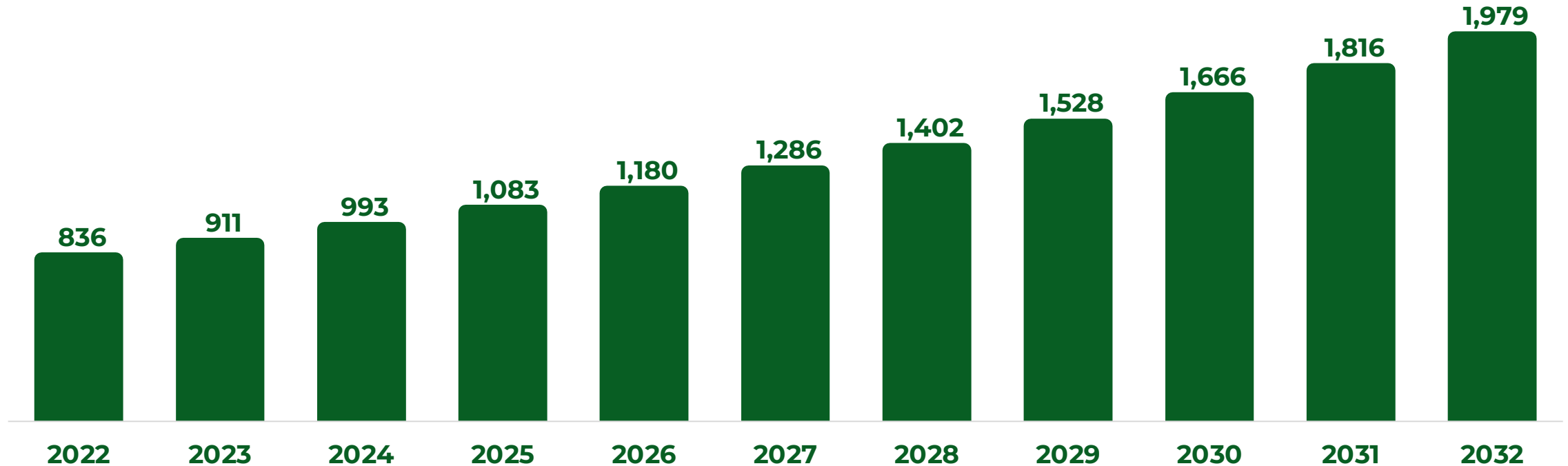
Indian Retail Industry forms 10% of its GDP, employs around 8% of the total working population and holds **4th position** among the largest retail markets in the world

According to the World Economic Forum, consumer expenditure in India will increase from its current level to reach around **USD 6 trillion** by **2030**

As per a report by Bain & Company, 'How India Shops Online 2021', E-retail market is estimated to grow **25-30%** p.a to **USD 120 to 140** billion by FY26

Market Size

Market Size of Indian Retail Industry 2022-32 (USD Billion)



Source: Market research & MARC Analysis

The Indian retail industry is growing at an exponential rate and is anticipated to grow at a CAGR of 9% to reach around USD 2 trillion by 2032. By 2030, the top 40 cities in India will represent a USD 1.5 trillion market, while thousands of lesser metropolitan areas will contribute a similar amount to overall spending.

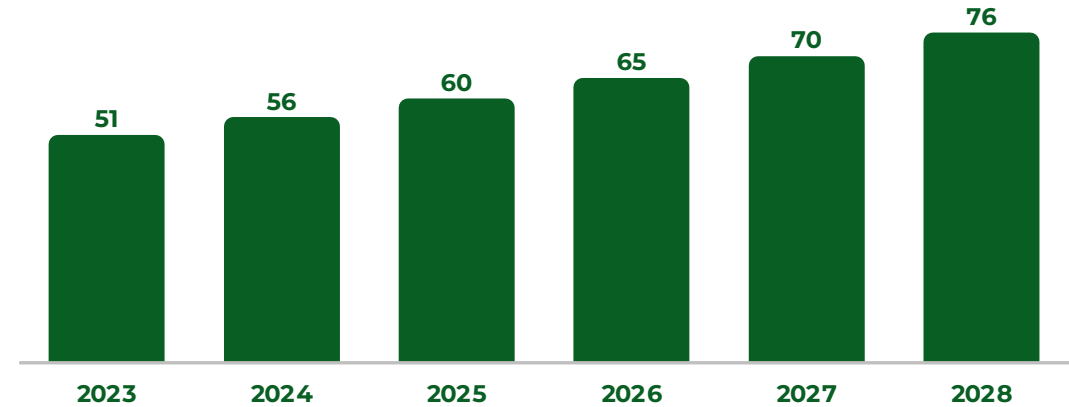
Top segments



1 Food & Beverages

The Food and Beverages segment is the largest segment of the Indian retail industry. This segment is largely divided into various sub segments such as restaurants, coffee shops etc. It includes a wide range of food products including tobacco and alcoholic/non-alcoholic beverages. There is a rising demand observed for online grocery in the market. It is estimated that the grocery retail market in India is expected grow at a CAGR of 8% to reach USD 1.10 trillion by 2030.

Market Size of Indian Food and Beverages (USD Billion)



Source: Investindia

Market Trends



There is a rising trend of online grocery shopping in India due to factors like changing lifestyle and the increasing tech-savvy population.



Due to changes in lifestyles and purchasing habits, buyers are preferring to shop at modern retail stores and prefer to shop in bulk.



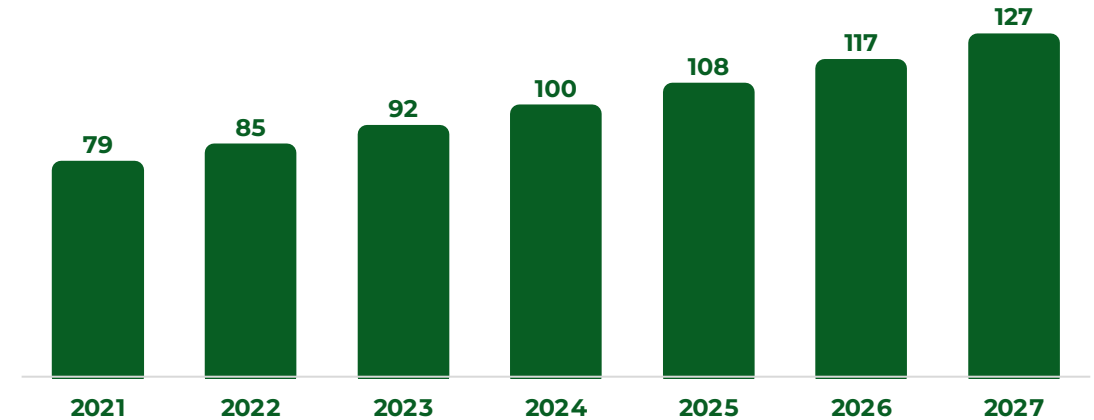
Increased income levels along with increased number of bread earners in the family is driving the boom in the food and grocery business in India.



2 Jewellery & Watches

The Indian jewellery and watches market broadly comprises of gold, silver, platinum, diamond, precious stones and other jewellery and watches including high-end watches. The Indian jewellery and watches market is highly diverse, consisting of players ranging from small specialty jewellers to companies having a pan India presence, contributing to a highly competitive market. The market is expected to grow at a CAGR of 8.34% to reach USD 127 billion by 2027.

Market Size of Indian Gems & Jewellery (USD Billion)



Source: Market research & MARC Analysis

Market Trends



The increasing income for disposal is also increasing the demand for luxury watches in India.



Consumers have become more comfortable in purchasing expensive jewellery online.



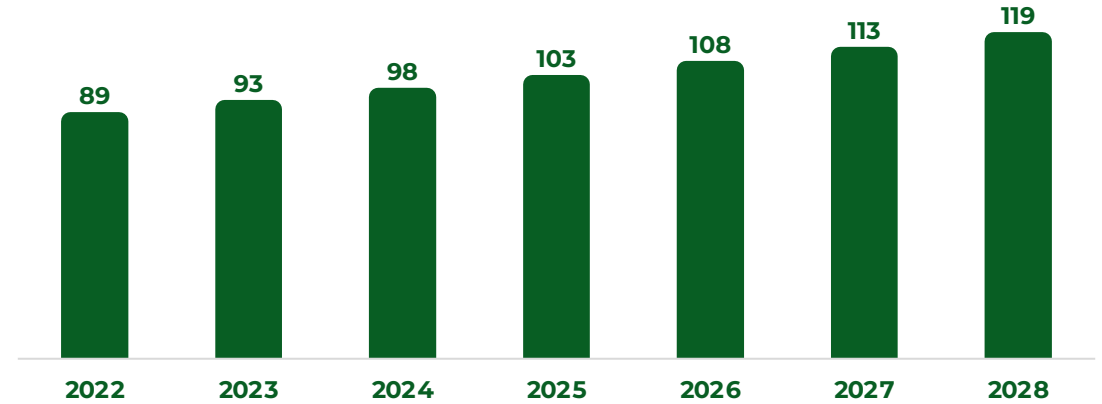
The sale of smartwatches has increased, and consumers are demanding more varieties in the sport watches section.



3 Apparel & Accessories

India is a diversified apparel accessories industry with a wide range of segments and consists of products such as traditional handloom, wool, silk apparel, hair accessories, belts, hats, gloves, scarves, sunglasses, ties etc. The organised Indian apparel retail market is one of the rapidly growing markets in the world. The pandemic had impacted the industry; however, the industry is showing signs of recovery. The market of apparel and accessories is projected to grow at a CAGR of 4.96% to reach USD 119 billion by 2028.

Market Size of Indian Apparel Retail Market (USD Billion)



Source: Knowledgebridge

Market Trends



Consumers are becoming more conscious towards the environment which has made sustainable fashion a trend in the clothing space.



Apparel Brands are increasingly focusing on online sales and digital marketing as consumers are now using internet for their fashion shopping.



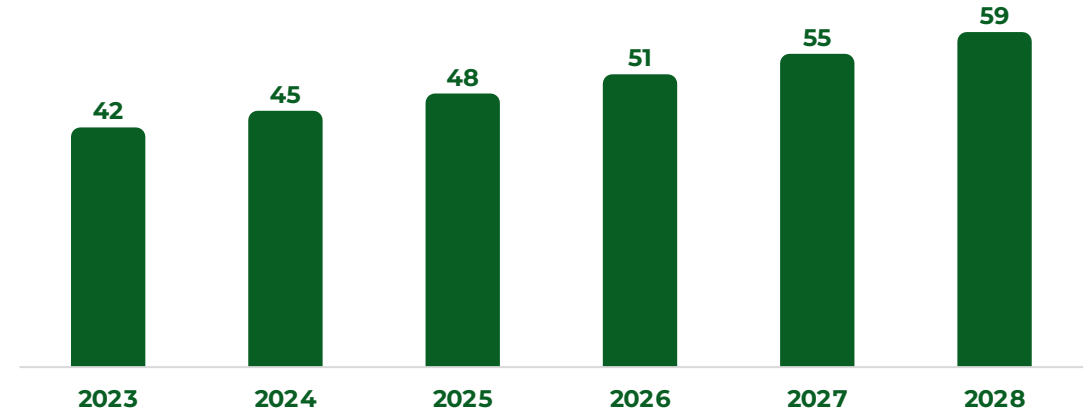
Consumers now look for comfort, durability, and versatile clothing e.g. Athleisure wear which combines both sports and leisure wear.



4 Mobile

India's mobile retail segment continues to grow significantly. Indians are now said to devote even more time on mobile apps than ever before. Smartphones priced above INR 20,000 have grown phenomenally over the past 5 years reaching more than double the size. It is estimated that India will have around 1 billion smartphone users by the year 2026. The rural population is said to drive the market for internet enabled smartphones as per Deloitte 2022 Global TMT Technology, Media and Entertainment, Telecom) projections. The market is expected to grow at a CAGR of 7.2% to reach USD 59 billion by 2028.

Market Size of Indian Mobile Retail Market (USD Billion)



Source: statista

Market Trends



5G is said to become the fastest adopted mobile technology due to its various applications e.g. high speed gaming.



The average selling price of smartphones has increased which is an opportunity for earning more profits for the retailers.



Smartphones are now being used for making electronic payments.

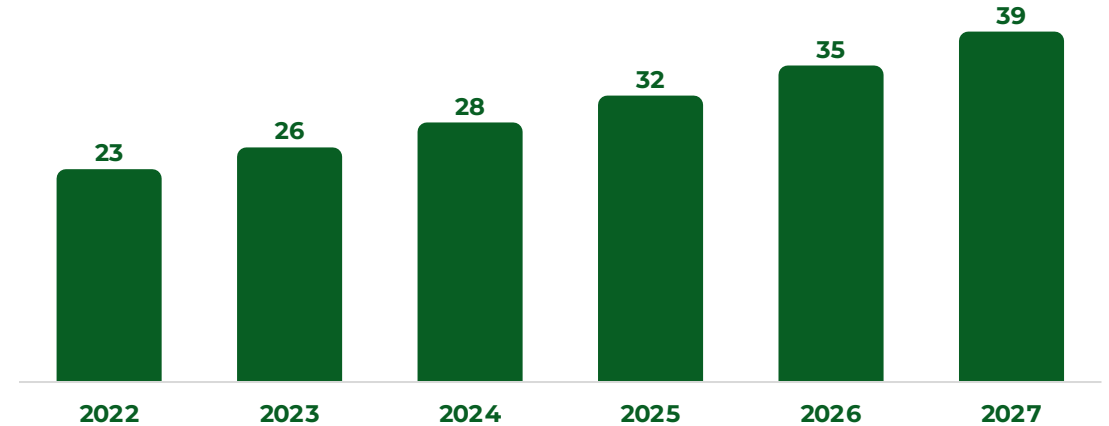


5 Furniture & Furnishing

The furniture market in India is highly fragmented. A rampant increase in the time individuals spend at home along with the new and growing trend of adoption of practices relating to hygiene and cleanliness, is leading consumers to invest higher amounts in their home furnishings and decor.

The shift in the consumers' mindset post covid and the increasing disposable income of people has made home textiles a fast grower segment, showing excellent recovery post the pandemic. The Indian Furniture market is expected to grow at a CAGR of 10.9% to reach USD 39 billion by 2027.

Market Size of Indian Furniture Market (USD Billion)



Source: expertmarketresearch

Market Trends



Furniture shopping is now being done virtually which was traditionally a physical experience.



Higher disposable income and better living standards are increasing the demand for furniture in India.



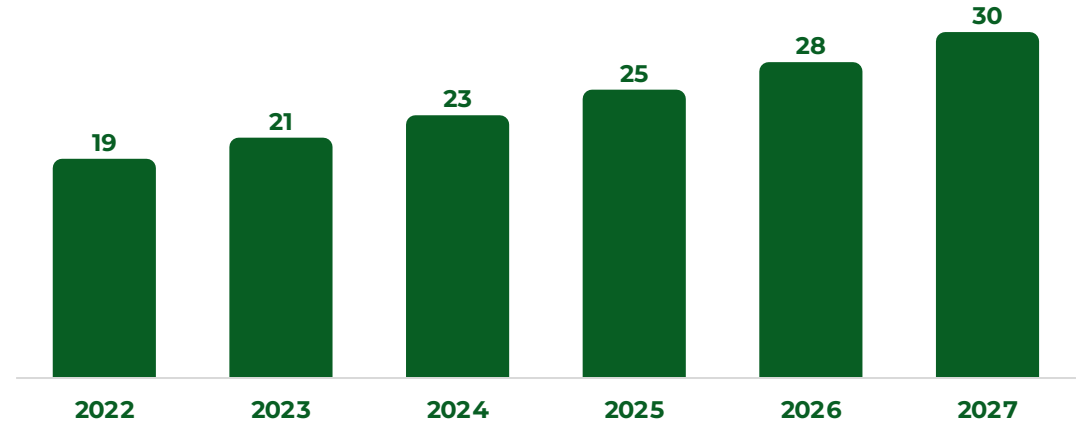
There is an increased desire for state-of-the-art and modular furniture in the market.



6 Pharmacy

The retail pharmacy market in India is growing at a rapid pace in India. This growth is mainly due to factors such as an increase in population, increase in the number of people suffering chronic diseases as well as an increased demand for convenient and affordable healthcare. One of the key factor causing the demand for pharma products is the increase in people suffering from chronic diseases and generally require continuous medication. The Retail Pharmacy market is projected grow at a CAGR of 9.9% to reach USD 30 billion by 2027.

Market Size of Indian Retail Pharmacy Market (USD Billion)



Source: insights10

Market Trends



Online pharmacy channels are projected to grow at a CAGR of 9.9% from 2022-2027.



Retail pharmacies are increasingly investing into Artificial Intelligence for improving their operations and cut down costs.



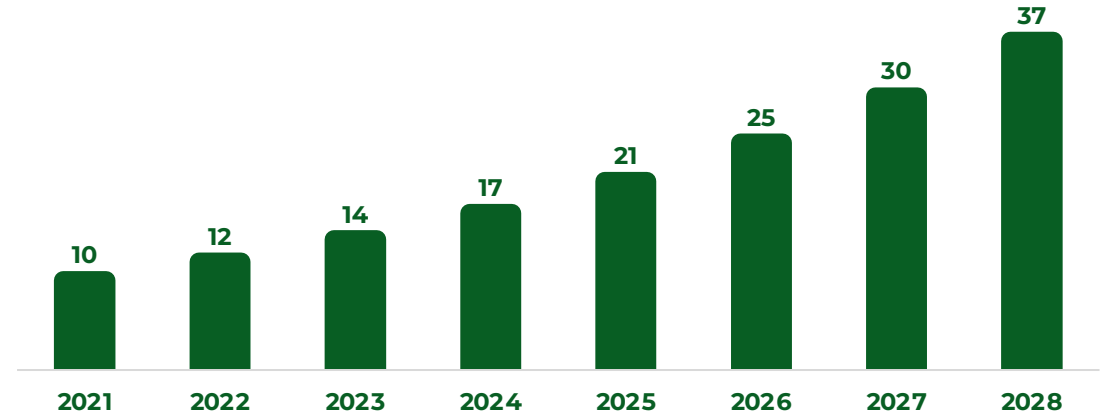
Pharmacies are also offering wellness products for general wellbeing of the consumers.



7 Consumer Durables & Appliances

The market for consumer durables & appliances consists of products such as refrigerators, washing machines, dishwashers and air conditioners. The demand for the market is growing with the growing disposable income and the latest technological developments in the country. 20% The market for appliances and consumer durables is expected to grow at a CAGR of 20% to reach USD 37 billion by 2028.

Market Size of Indian appliances and Consumer durables market (USD Billion)



Source: ibef

Market Trends



The Consumer durables and appliances industry is expected to reach USD 37 Billion dollars by the end of 2028.



Consumer demand products that are superior in technology, easy to use and easily accessible.



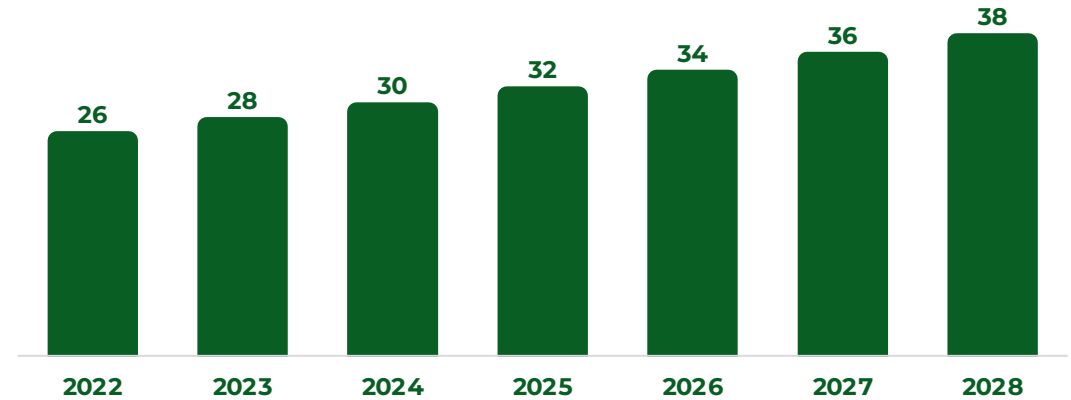
The air conditioner market in India has a low penetration of 7-9% of total urban households and there is huge potential for future growth.



8 Beauty & Personal Care

The beauty and personal care market comprises of goods related to body care and cosmetics. Some widely used includes various products such as sunscreens, deodorants, hair care, toothpaste and others. At present various brands offer these products in India through online and offline modes. India is considered to be the 8th largest beauty and personal care market globally. The Beauty & Personal Care market is expected to grow at a CAGR of 6.45% to reach USD 38 billion by 2028.

Market Size of Indian Beauty & Personal Care market (USD Billion)



Source: imarcgroup

Market Trends



The online beauty and personal care market is growing rapidly driven by the increasing penetration of e-commerce platforms in India.



The increasing awareness regarding harmful chemicals is increasing the demand for natural beauty and personal care products.



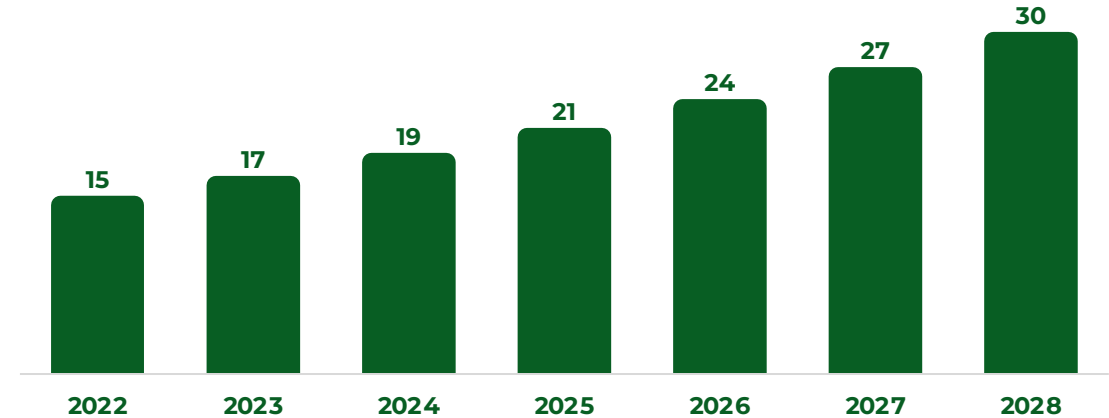
Established brands are looking to build up their operations through Direct to Consumer(DTC) route post the pandemic disruptions.



9 Footwear

The footwear market in India consists of both leather as well as non leather footwear. India is second largest producer of footwear in the world after China and contributes around 10% to the global footwear production. The Footwear market is projected to grow at a CAGR of 12% to reach USD 30 billion by 2028. As per a report by Invest Indian on the non leather footwear market in India, the market is projected to reach USD 6 billion by 2024. Also, the growing trend of adopting healthier lifestyles and an increased awareness of fitness are contributing to the rising demand for athleisure footwear.

Market Size of Indian Footwear market (USD Billion)



Source: imarcgroup

Market Trends



Growth in the Indian fashion market is driving the growth in the footwear market as well.



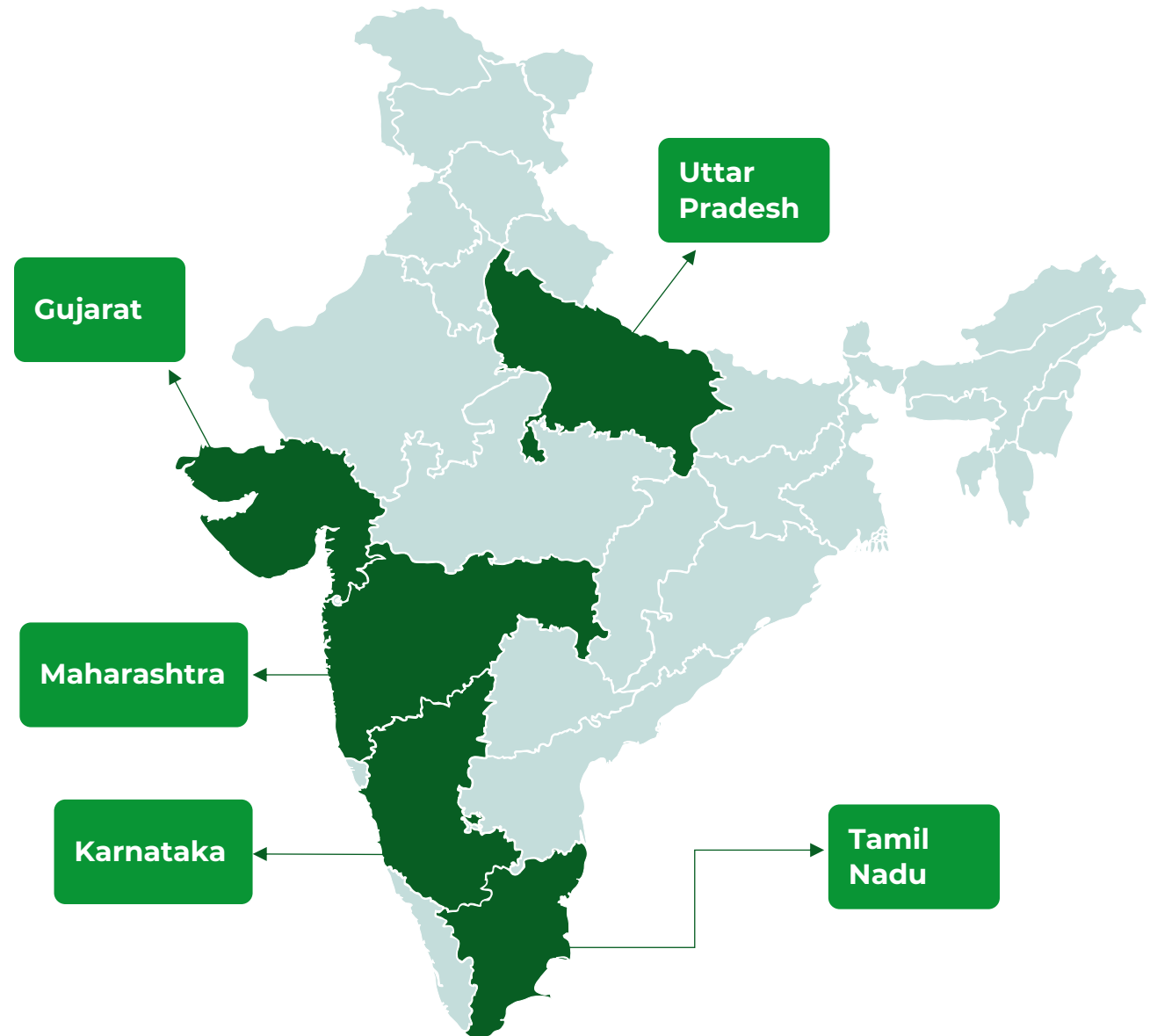
The growth of e-commerce platforms in India has provided a convenient platform for footwear brands in India to extend their reach.



Companies now offer refurbished eco friendly shoes made out of recycled material.

Industry hubs and Location analysis for retail industry

The retail industry is increasingly entering into the online space and focusing on direct selling to the customers. This is mainly led by shoppers from the tier 2 and tier 3 cities in India. **Tier 2 & 3 cities are said to constitute an estimated 61% of the total market share in FY22** as per an article by Times of India. It is expected that tier 2 & 3 cities are also **likely to dominate in future**. Hence tier 2 and 3 cities are major markets for the retail industry. If we consider state-wise potential, the top 5 states as per contribution to the retail GDP of India include **Maharashtra, Tamil Nadu, Gujarat, Karnataka and Uttar Pradesh**.



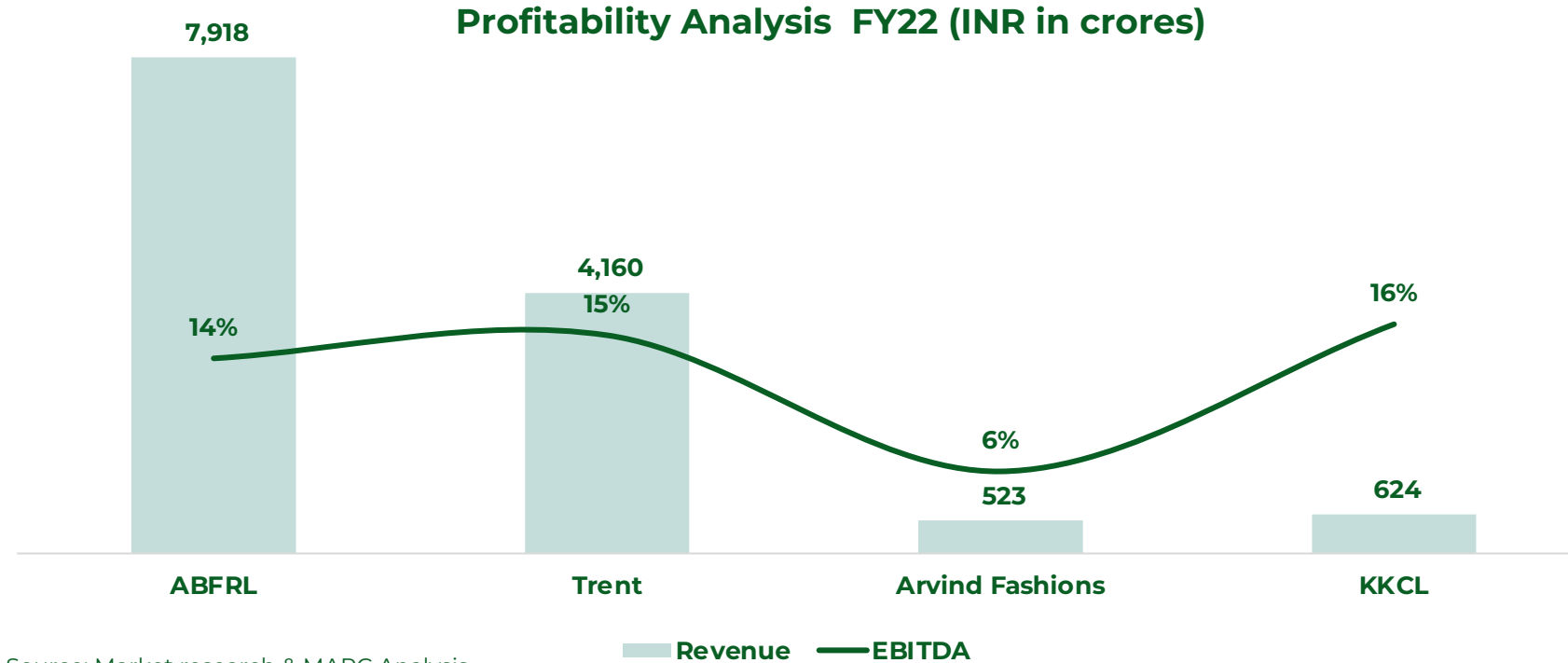


Ever wondered
if your business
is performing up
to its full
potential or if its
in-tune with the
industry?

MARC's detailed and comprehensive analysis of your business performance, as well as of your competitors and their strategies and how your own business is performing against the industry benchmarks, all of this with MARC's personalized recommendations.

Note: Financial figures used in the following section of the report are for representational purposes and are used to represent MARC's capabilities.

Competitor Analysis



The Revenue for Aditya Birla Fashion & Retail Ltd. (ABFRL) stood the highest followed by Trent Ltd. while Arvind Fashions recorded the lowest revenue. However, as far as EBITDA as % to revenue is concerned, Kewal Kiran Clothing Ltd. (KKCL) stood the highest at 16% despite recording a lower revenue than ABFRL and Trent. It is also pertinent to note that Arvind Fashions recorded a significantly low EBITDA as a % of revenue in comparison to the other players which generally operate between 14-16% EBITDA.

KPIs in comparison

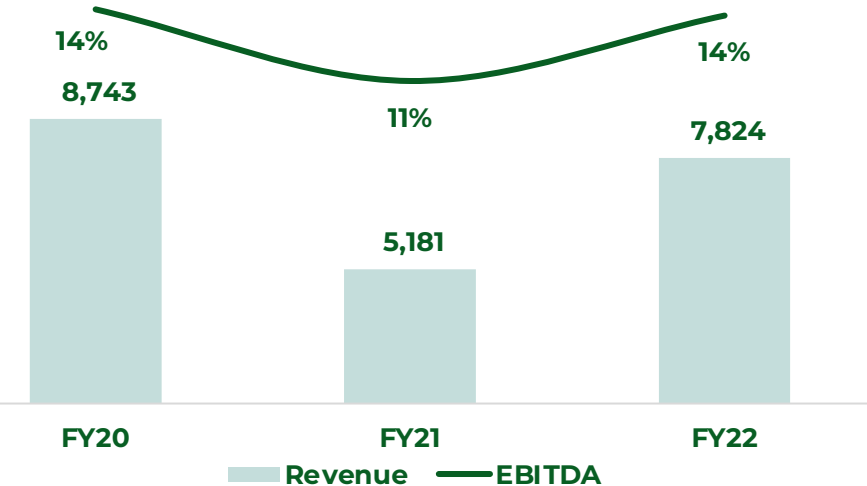
Particulars	ABFRL	Trent	Arvind Fashions	KKCL
Inventory Turnover Ratio	2	3	4	2
Revenue per employee (Lakhs)	18.73	28.86	9.83	18.98
Web traffic - Feb 23 (Thousands)	323	24.9	26.2	6.4
Gross Margin Return On Inventory (GMROI)	2.11	3.32	2.66	0.05
Stores	3,468	539	1,300	356

Profit & Loss Snapshot

ABFRL

Particulars (in Crores)	Actuals			Common Size		
	FY20	FY21	FY22	FY20	FY21	FY22
Revenue from operations	8,743	5,181	7,824	100%	100%	100%
Expenses						
Material Consumed	4,206	2,538	3,656	48%	49%	47%
Employee benefits expense	1,046	824	1,043	12%	16%	13%
Rent expense	487	11	391	6%	0%	5%
Other expenses	1,779	1,215	1,655	20%	23%	21%
Total Expenses	7,517	4,587	6,745	86%	89%	86%
EBITDA	1,225	594	1,079	14%	11%	14%

Revenue - EBITDA comparison (ABFRL)



Source: Market research & MARC Analysis

- Due to the pandemic, the revenue from operations witnessed a decrease in FY21, however the same increased in FY22.
- The revenue increased from INR 5,181 crores in FY21 to INR 7,824 crores in FY22 however, was not able to surpass the revenue recorded in FY20.
- The material consumed as a % of revenue decreased from 49% in FY21 to 47% in FY22 and stood at INR 3,565 crores.
- The employee benefit expenses increased from INR 824 crores in FY21 to INR 1,043 crores in FY22 and stood at 13% of revenue.
- The rent expense increased from INR 11 crores in FY21 to INR 391 crores in FY22 and stood at 5% of revenue in FY22.
- Total expenses as a % of revenue also increased from INR 4,587 crores in FY21 to INR 6,745 crores in FY22 and stood at 86% of the total revenue in FY22.
- The EBITDA increased from INR 594 crores in FY21 to INR 1,079 crores in FY22 and stood at 14% as a % of revenue.

Conclusion

Fastest growing segments in Indian Retail Sector

- Food and Beverages
- Apparel and footwear
- Consumer Electronics

Shifting trends in retail methods in India

- Retailers are shifting to hybrid mode of selling wherein the focus is to upscale to online modes while providing offline experience.
- The e-commerce market itself is estimated to grow to USD 98 billion in FY24.
- Artificial intelligence will soon be incorporated in the retail industry with companies such as Lenskart with “AI Lens” , Reliance retail using AI for seamless online and offline experience.

Growth drivers for retail segment in India

- Consumer preference: India's per capita GDP increased to USD 2,256 in 2021 which has led to more consumers shifting towards premium brands.
- Increase in digital payment methods in retail: RBI states that digital payments have increased by 216% in volume from 2019 to 2022.
- FDI approval: Foreign Direct Investment in the retail sector plays a very crucial role in the economic growth and development of the country. At present, FDI in single-brand retailing is permitted up to 100%.



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