



EAST INDIA IS 'THE' RETAIL MARKET TO BE IN OVER THE NEXT DECADE

▲ Parama Island flyover, popularly known as Maa flyover is a 4.5 kilometer long flyover in Kolkata.. From EM Bypass to Park Circus 7-point crossing

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East India, once one of India's most mystical and complicated markets, is slowly but surely gaining prominence. As the Eastern consumer is evolving and demanding better brands and products in keeping with his lifestyle, this once untapped region has become a veritable diamond mine for retailers...

- By IMAGES Retail Bureau

Customers in emerging cities of Patna, Bhubaneswar, Ranchi, Asansol, and Siliguri, along with Kolkata, want the best - then be it lifestyle, fashion, or health & beauty. The region, which once hesitated to experiment, is now displaying an impressive upward retail trend with retail pundits dubbing the East the 'retail market of the future.'

The city of Kolkata has come a long way in terms of retail maturity with a plethora of brands, both international and national, paving the way for greater organisation of the sector across the region. Shopping trends in and around the city are witnessing a fundamental shift, from the conventional trader-run standalone shops to more organised and large retail formats.



Market Overview

East India, one of the most conservative markets till a decade ago, is breaking the shackles across all retail platforms today. Despite being home to a very dense population, the city missed several glorious years in becoming a major retail hub of India. Nevertheless, this market has been on a growth trajectory since the turn of the new Millennium. Analysts have attributed this upward swing to the evolving middle-class, rising disposable incomes and growing aspirations for improved living standards,

especially among the Millennials.

According to a report by the National Council of Applied Economic Research (NCAER), approximately 62 percent of Kolkata households had annual incomes of up to ₹18,000 between 1985-86; while just a decade later, the figure had touched ₹25,000-77,000 for 61 percent of the households. A similar transformation is being witnessed in major cities of Bihar, Odisha and Jharkhand as well. As incomes increase, the consumer shops better, fulfilling basics and turning to luxury needs.

To a market strategist, East is undoubtedly an ideal location for the growth of the retail industry. Besides being the principal retail-and-services market to a vast hinterland, there are cities which can serve as a center of trade and commerce for the region. East's proximity to Bangladesh, a country of 13 crore+ consumers, and to the South-East Asian markets, is another factor for which the region is fast emerging as a vibrant business center. The Kolkata Port and the Haldia Port are also instrumental in acting as gateways to landlocked countries like Nepal and Bhutan.

Emergence of new formats too have played a major role in this progress. Hypermarkets, large supermarkets with more than 5000 sq.ft. of retail space, mini markets/supermarkets, convenience stores with self-service set-ups and value-added services including home delivery, cash on delivery, easy returns and replacements are doing wonders for conservative middle-class consumers in both rural and urban areas of the East.

Prominent retail chains like Bata, Reliancefresh, Spencer's, Aditya Birla Group, Shoppers Stop, Future Retail, V Mart, Pantaloons, Liberty, Provogue, V2, Joyalukkas, Bharti fabindia and Cantabill, have established themselves as premium retail leaders and have been operating

successfully in the region since a decade.

Many local retail chains have also taken advantage of this ascending growth trajectory, and have increased operations to such a level that they have become household names in Bengal and states around the area. These include Arambagh Food Mart, Khadim's and Sreeleathers.

Specialised markets have also cropped up in many areas – the likes of Bowbazar market, Bagri market, China bazaar, Lake market, Burrabazar market, Chandni market. Then there are high streets like Park Street, the Esplanade area, Camac Street, Shakespeare Sarani, Gariahat, all of which are home to a wide variety of retail stores that sell items like stationery, dairy products, electronic goods and appliances, glassware, crockery, wooden furniture, jewellery, musical instruments, fruits, flowers, vegetables, fish, flesh meat, textiles, spices, dry fruits, sugar, salt, groceries, paints, hardware items etc.

As retailers look for scale, sustainability and growth, Eastern India with its huge population base and untapped potential is a budding 'market of tomorrow'. Many a retail brand – both national and international have penetrated the region, building their presence, ready to reap the rich demographic dividend the East has on offer.

The Rise of Shopping Centres & High Streets

The East Indian retail market has gone through a long-drawn process of metamorphosis and has emerged in its current modern manifestation. The traditional retail through itinerant salesman, and formats of 'haats' and 'mandis' are long forgotten. Semi-established formats like mom-and-pop, *kirana* and convenience stores are rapidly transitioning into established formats like hypermarkets and multi-storied malls offering a range of products and services. These store formats are further blending into one building – the mall. Today, everything that a consumer needs – from groceries, apparels and accessories to food and beverages, multiplexes, electronic goods and even salons and spas – can be found under a single roof, the shopping mall.

In the East, it is the semi premium, large and medium format malls with international, national and regional brands which are holding centerstage, operating successfully. Malls like South City Mall and Quest – built over lakhs of square feet area – are popular not only because of the brands that they host but also for other offerings including dining options, entertainment zones and multiplexes.

In fact, varied entertainment choices have led to an increase in sales in many malls. For example, retail outlets at Forum had witnessed almost 30-35 percent increase in sales after the opening of its multiplex in 2003. At INOX, ticket sales have been averaging at almost 90 percent of the theatre capacity – the highest box



office sales amongst all the multiplexes in the region.

Keeping that in mind Quest has brought brands like Breitling, Canali, Michael Kors, Burberry, Emporio Armani, Paul Smith, Super Dry, Hugo Boss and many more into the region. South City Mall took a very bold step closing down the mall for a year, in spite of being one of the most successful malls in India. They did so to take it up to the next level in terms of look and experience and also for creating spaces for brands like Zara, Forever 21, Sephora, Starbucks as well as a lot of other international brands which are totally new to Kolkata and Eastern India.

The retail business mainly revolves around Kolkata, towns like Durgapur, Siliguri and Haldia also have the potential of becoming busy retail addresses. The Durgapur City Centre by Bengal Shristi Infrastructure Development Ltd., is the cosmopolitan arcade of the city. The centre is a modern, multi-facility, multi-utility, urban plaza, having a confluence of shopping, commerce, entertainment, education, recreation, health, hospitality, medical amenities, and premium residential accommodation. Lush green open spaces, an integrated entertainment multiplex, and various other urban amenities provide a fascinating experience.

Bhubaneswar too is slowly rising up the charts on becoming the second most



popular retail hotspot in the east after Kolkata. The city is fast developing into a bustling center of economic activity. This is giving rise to a new breed of consumers with high disposable incomes, thereby creating lifestyle and aspiration levels at par with other fast-moving metropolitan cities.

Bhubaneswar represents two faces of retailing – one, a traditional store evolving with time, and another, a recently inaugurated mall from a group that is credited with having revolutionized the retail scenario in Kolkata. Multi-brand shopping complexes like Satyam Shivam Sundaram store and Forum Mart have now become the shopping destination not only for the people of Bhubaneswar, but also for people from surrounding areas like Cuttack.

And malls alone have not mono-polised the consumer of the booming retail market in the East. High streets with the best of brands and eateries are luring the consumer at an equal rate.

Large format-shopping areas like 22 Camac Street are the crowd pullers with retail brands establishing their flagship stores of some of the leading retail outlets of India.

Even small towns like those of Bhagalpur, Muzaffarpur, and Gaya in Bihar are slowly opening up to the mall culture, embracing online shopping and giving strong competition to Patna in the retail sector. V Mart and other regional marts are transforming the shopping aspirations of the consumers and are also offering value-added services, enhancing consumer experience with technology.

Apart from this, the burgeoning jewellery manufacturing sector of the East – from traditional gold jewellery to modern diamond designs – is growing at a rapid pace, with the market in Kolkata pegged at an approximate ₹2,500 crore. Around 95 percent of the retailers in Kolkata are manufacturers of jewellery and more than 50 percent of the manufactured jewellery is sold outside the city.



Eastern Challenges

While the story of the rising East depicts a rosy picture, there are many challenges that still exist. The retail sector still has a long way to go, with retailers pinning their hopes on central and state aid – both in terms of investment as well as in implementing better policies.

Some of the main challenges that the Eastern retail industry faces are:

- Automatic approval is not allowed for foreign investment in retail.
- Regulations restricting real estate purchases, and cumbersome local laws.
- Taxation laws, which favours mall retail businesses.
- Absence of developed supply chain and integrated IT management.
- Lack of trained work force.
- Low skill level for retailing management.
- Intrinsic complexity of retailing – rapid price changes, constant threat of product obsolescence and low margins.

Despite cheap, skilled labour, the East has been suffering due to the unavailability of quality retail space. There is urgent need of industry-friendly policies and new labour laws to facilitate retail

manufacturing and services.

According to the Confederation of Indian Industry report, the municipal tax in Kolkata is so high, that the total expense on commercial, rental premises becomes much more expensive than in other fast-growing cities like Bangalore, Hyderabad, and Chennai. Similarly, in other parts of the region, the rental is very high in comparison to the services provided with transport being the major hurdle. Roads need to be developed in order for logistics to be smoother – transporting goods from warehouses is currently difficult and inconvenient.

Quality retail education is necessary to create a vast pool of qualified retail management professionals who can tackle the challenges of this intensely competitive industry. East needs to develop a comprehensive retail management programme and environment that enables retailers and the youth to critically analyze the retailing process.

While top MBA schools in the region are organising

retail development programmes and courses, this needs to be taken up more seriously. The programme inculcates analytical skills useful for retail decision-making, and provides a foundation for those students who plan to make a career in the field of retailing or related disciplines.

Apart from this, retailers – at personal level – need to overcome the following to succeed in their business:

- Understanding the customer and enhancing consumer experience
- Develop better marketing strategies
- Develop superior pricing strategies
- Be open to and apply more in-store technology
- Develop smoother logistics and information systems

Conclusion

The last 10 years or more have witnessed a lot of movement in the middle-class segment, especially for professional reasons, including jobs and transfers. The image of East India does seem to have taken a 360-degree spin from being a conventional customer base

they need to have a strategy in place to woo the somewhat shy market if they want to trigger a win-win situation.

Despite all this, East India is gearing to explore retail on a larger platform. The process and signs are already visible. With the help of the government and the industry, modern retail in the East is all set to create huge job opportunities, fulfill aspirations of millions of consumers.

Middle class is being upgraded to higher level, value retail segment will grow at a rapid pace. The luxury segment is also showing increased penetration, while Tier II & III cities are becoming the new growth engines of the region.

An improved communication system, real estate development, urbanisation and the growing service sector all are helping and acting as growth drivers for the region. The East is undoubtedly becoming ‘the’ market to be in over the next 10 years. 

— With inputs from Sandeep Kumar