

India Offline Retail Market Assessment, By Product [Food, Beverages & Grocery, Fashion & Lifestyle, Furniture & Home Decor, Electronics & Appliances, Health & Wellness, Industrial & Automotive, Others], By Distribution Channel [Organized Retail, Unorganized Retail], By Region, Opportunities and Forecast, FY2017-FY2031F

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Report description:

India offline retail market size was valued at USD 751 billion in FY2023, expected to reach USD 1507.4 billion in FY2031, with a CAGR of 9.1% for the forecast period between FY2024 and FY2031. India stands as a prominently positioned destination for investments in the retail sector, being one of the world's most promising and advancing marketplaces. Multinational corporations eagerly seek to establish their foothold in this burgeoning market due to the country's vast consumer base. Notably, 2023-2025 anticipates the launch of approximately 60 shopping malls, encompassing an impressive aggregate retail area spanning 23.25 million square feet .

The market is experiencing a paradigm shift characterized by substantial growth and evolving consumer behavior. India's demographic dividend, characterized by a burgeoning middle class and youthful population, catalyzes heightened consumption. The country is expected to witness the addition of 140 million middle-income households and 21 million high-income households by the year 2030, contributing to the significant growth of its burgeoning middle-class segment. The demographic shift drives retailers to expand their physical presence to meet the needs of an ever-expanding customer base.

The diversity of India's retail landscape contributes to its rapid growth. From traditional mom-and-pop stores to modern shopping malls, the Indian retail market offers various options catering to diverse consumer preferences. Innovative formats like hypermarkets and luxury boutiques have also gained popularity, further enriching the offline shopping experience. Furthermore, technologies facilitating online payment have driven the offline retail market in India by offering convenience, speed, and seamless shopping experience. In 2022, UPI constituted a substantial share of total digital transactions, amounting to approximately 62 billion transactions. The gross transaction value of digital payments is projected to experience remarkable

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growth, increasing from USD 0.6 trillion in 2022 to USD 3.1 trillion by 2030. Moreover, infrastructure development, including improved transportation networks and the growth of tier II and tier III cities, has expanded the reach of offline retailers. The geographical expansion allows retailers to explore untapped markets, unlocking new growth opportunities.

Festive Fervor Powers Offline Retail Growth in India

Frequent festivals and celebrations in India are key drivers of demand in the offline retail market. These occasions prompt consumers to make purchases, particularly in categories like clothing, jewelry, and gifts. Retailers leverage it by offering discounts and exclusive collections, leading to increased footfall and sales. Festivals foster a sense of community, encouraging people to visit physical stores for shopping. Frequent retail activities during festivals contribute significantly to the growth of the offline retail sector in India. As per the Retailers Association of India survey, leading up to the festive season, retailers across India have observed a moderate 15% growth in sales during August 2022 compared to the pre-pandemic levels of 2019.

Dynamic Demographics Offer Lucrative Prospects for Retail Businesses

India has solidified its position as the fourth-largest global retail destination driven by a vast consumer base, economic growth, rising middle-class income levels, government initiatives, and evolving consumer preferences. These factors offer lucrative prospects for businesses seeking to expand their international sales networks in a dynamic and growing market. In the fiscal year 2022-23, a notable upswing in demand for discretionary and lifestyle products led to the rapid expansion of nearly a dozen publicly listed retailers and fast-food restaurant chains nationwide. This augmented their network by adding nearly 4,700 stores, averaging approximately 13 new stores each day. India is anticipated to witness the inauguration of approximately 60 shopping malls, with a combined space of 23.25 million square feet, in the fiscal year 2023-24.

Government's Vital Role

The Government of India has enacted numerous regulations and policies, including implementing the Goods and Services Tax (GST). These measures have streamlined the tax framework, resulting in decreased operational intricacies for retailers and positively impacting the offline retail sector. The government regulates FDI in the retail sector, which substantially impacts offline retail. Depending on the type of retail, FDI is allowed under certain conditions. Single-brand retailing allows for 100% foreign direct investment (FDI), while multi-brand retailing permits FDI of up to 51%.

In 2022, the unorganized sector, comprising approximately 87% of the market, faced fragmentation and lacked modern infrastructure and technology due to limited resources. Owing to which, in March 2023, the government announced its efforts to formulate a national retail trade policy for brick-and-mortar retailers, aiming to enhance the ease of doing business, improve infrastructure, extend credit facilities, and offer various benefits to traders.

Expanding Organized Retail Sector to Fuel Market

While the retail sector in India has traditionally been unorganized, it has transformed in recent years, driven by the emergence of larger retail chains such as Smart Bazaar, Pantaloons, Shoppers Stop, and others. These retail giants have introduced a degree of structure and organization to the Indian retail landscape, which had previously been dominated by isolated and standalone outlets and Kirana stores. Notably, there has been a substantial 50% growth in the organized retail segment from 2012 to 2020, showcasing a significant shift in the industry. As of 2020, the organized retail sector accounted for 12% of the total retail market, indicating considerable room for expansion for formalized retailers. Various retail categories, including apparel and accessories (18%), consumer electronics (6%), and home and living (6%), exhibit varying levels of formalization. These sectors are poised to drive the ongoing trend towards greater formalization in the Indian retail market.

Impact of COVID-19

The COVID-19 pandemic had a profound impact on India offline retail market. Lockdowns and restrictions significantly disrupted brick-and-mortar stores, reducing footfall and sales. Offline retail sales in May 2021 witnessed a significant 79% decline compared to May 2019. This decline was attributed to the nationwide lockdown imposed during the second wave of the COVID-19 pandemic in the country.

In response to the pandemic, retailers adapted embracing e-commerce and contactless payments, aligning with a shift in consumer behavior towards online retail. The e-commerce sector witnessed a transformative demand, which is expected to persist in the foreseeable future. Projections indicate that India online retail market is expected to surge to USD 350 billion by 2030, compared to an estimated USD 55 billion in 2021, driven by the growth of online consumers owing to COVID-19. By 2024,

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online retail penetration is anticipated to reach 10.7%, a notable increase from the 4.7% recorded in 2019. Despite challenges, resilience and innovation was the key, with retailers finding new ways to engage with consumers and recover from the pandemic's effects.

Key Players Landscape and Outlook

Companies operating in India offline retail market have pursued various strategic developments to stay competitive. It includes expanding their store networks to tap into emerging markets, embracing technology to enhance the in-store experience, and forming partnerships with local brands. Additionally, companies have focused on inventory optimization and customer data analytics to improve operational efficiency and cater to evolving consumer preferences, ensuring they remain at the forefront of the dynamic Indian retail landscape.

During an annual general meeting for fiscal year 2023, Trent (Tata Group's retail arm) announced its plans to launch 200 Zudio stores in FY24, exceeding analyst projections. In the preceding fiscal year, Trent successfully opened 117 new stores, increasing its total count to 352, inclusive of store-in-store concepts. Furthermore, the company expanded its Westside portfolio by adding 14 new stores, raising the total number of Westside stores to 214. Zudio's expansion strategy will be evenly divided between company-owned stores and franchise arrangements.

In May 2022, Reliance Brands Limited (RBL) forged a partnership with Tod's S.p.A, the renowned Italian luxury brand, to serve as the authorized retailer for the brand in the Indian market, encompassing all product categories, such as footwear, handbags, and accessories.

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