



India Retail and Housewares Snapshot

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Overview

Over the last few years, organized retail has become one of the fastest growing sectors in the Indian economy. In fact, India has topped the annual list of the most attractive countries for international retail expansion for several years. The overall Indian retail market, currently estimated at \$490 billion, is projected to grow at a compounded annual growth rate of 6 percent to reach \$865 billion by 2023. In 2010, larger format convenience stores and supermarkets accounted for about 4 percent of the industry, and these were present only in large urban centers. The trend is fast changing and such concepts are mushrooming in smaller cities. The organized retail segment is expanding and is expected to reach 20 percent of the overall retail market by 2020. The booming services sector combined with the emergence of shopping centers and malls, the growing middle class and the growth in disposable income are providing impetus to this boom.

While challenges still exist for overseas investment in multi-brand retailing, the Indian organized retail space offers huge opportunities to U.S. companies: packaged foods, housewares products, apparel and accessories, cosmetics, footwear and watches. The Indian consumer is very price sensitive and expects value for money. U.S. exporters need to keep this in mind while devising pricing strategies for India. In addition, there are new opportunities for retail industry equipment and services suppliers to cater to the booming Indian market.

Market Dynamics

With market liberalization, growing consumerism and the entry of corporate players, the Indian retail sector is currently experiencing developments at an evolutionary rate like nowhere else in the world. The Indian consumer is rapidly evolving and is now being exposed to shopping as an experience and is charmed with a host of international brands at competitive prices. Today the Indian consumer expects a wide array of choices in the form of better quality retail outlets, product choices and brand options. He expects every benefit being offered in the developed markets. Indian retail is going all out to provide the consumers what they seek. On their part, the consumers have started spending more of their increasing disposable income.

Some of the key factors that are providing this thrust are:

- Booming service sector – bringing in a new consumer class with a greater exposure to overseas markets
- Rise in the disposable incomes and aspirations
- Increase in salaries by 15-20 percent

- McKinsey Global Institute predicted that India's consumer market would be worth \$1.5 trillion by 2025, surpassing Germany to become the fifth largest (behind the United States, Japan, China and the UK) in the world.
- Greater availability of quality retail space with formats such as department stores, hypermarkets, supermarkets and specialty stores finding more and more acceptance

Housewares Market

There was a time in India when home products like upholstery, home decoration items like artefacts, decorative lamps, candle stands and housewares products like tableware, kitchenware, glassware and storage products were bought by the households only during major festivals. For the last decade, thanks to the phenomenal growth in Indian retailing, increase in purchasing power of Indian people and growing consumerism, the lifestyle of Indian middle class continues to transform. Year on year, there has been a huge demand for high quality, stylish and valued-added home decorative products. Working young couples of urban India take pride in imparting their own personality and a trendy look to their homes by picking up the right mix of home textile, home décor and housewares products. They now shop regularly at department stores, hyper markets, specialty stores and even design houses to keep adding to their effort. In addition, these young Indians are spending more on gifts.

According to Ajay Arora, Managing Director of one of India's leading home décor companies, the housewares industry in India is going through a rapid change and so is retailing. In his comments to Home Fashion Magazine, Arora mentions that these changes are more visible at the higher end where customers are well informed and are willing to spend that extra money to buy products that suit their taste and lifestyle. More importantly, 100 million households are going to join the Indian middle class in the next decade, offering huge opportunities to international brands. Here are some key figures to consider:

- Indian Home Décor and Housewares markets are growing at a steady 25-30% per annum.
- India's domestic home textiles and home furnishings market is growing by 40% per annum, expected to reach \$4.5 billion by 2013.
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Indian consumers are eagerly looking for international products in the following categories:

- Kitchen gadgets
- Storage products
- Kitchen appliances
- Dinner ware
- Home décor products

Kitchenware gadgets: The kitchenware and gadgets market in India is still very much driven by purely functional requirements but there is a huge scope for market expansion. In terms of product range, the popularity of non-stick cookware, interest in healthy eating, usage of wider range of cutlery, demand for storage containers are some of the areas where the market is expected to boom. As compared to developed markets like the United States and the U.K., in India the percentage of non-stick cookware is much less; however, it is expected to grow gradually. With the growing interest towards healthy lifestyle and consequently healthy eating habits, there is an increasing growth seen in utensils, which can be used to cook food without the use of oil.

In line with adding convenience in the kitchen, demand for kitchen gadgets like potato peelers, garlic presses, pizza cutters, small kitchen knives, paring knife, palette knife would be some of the products that are expected to see a growing demand in the future. Plastic storage containers of different shapes and sizes will also see a growing demand in the future. No potential market is saturated with Indian & Chinese made products. So far, many households have a habit of stirring food items in the same bowl as they are cooked in or served at the table. The fact that for effective storage of different food items, a special set of containers is required is again a trend, which is just being explored in India.

Kitchen (small) appliances: India's small home and kitchen appliances market is worth approximately \$850 million and is dominated by several international and local manufactures like Philips, Panasonic, Morphy Richards, Bajaj, and Havells. However, the small home appliances segment is set to boom with sales of domestic home appliances growing at 15-18 percent every year and premium appliances, which contribute a fifth to the total market, are growing even higher at 30-35 percent. This offers opportunities to new entrants with quality and value-for-money products. U.S. manufactures and exporters of small appliances have to keep in mind that the power supply in India is 230 volts and usually has a three-pin plug.

The retail price in India includes all taxes and is estimated at about 20-22%, inclusive of Excise tax, Sales tax and Octroi Tax. For most Housewares products and the Maximum Retail Price (MRP) is between \$3-\$25. Most foreign manufacturers (especially China, South Korea, Taiwan, and Japan) price their products in the Indian market using marginal costing. The direct costs of the product are loaded to the domestic market and export price is based only on variable costs. Add to this large retailers expect a credit period of about 60-90 days, since, interest rate in India is about 11%. Most Indian companies expect the manufacturer/importer to factor these additional costs while making quotes for the retail sector. For U.S. companies the depreciation of Indian rupee (about 14% last year) coupled with the customs tariff (which ranged from 20-30% on CIF price) makes their products prohibitive for the Indian market. US companies like Spectrum, Whitmor, Libbey etc - have their manufacturing base in China where they are trying to work on suitable pricing for the Indian market.

Some of the USA housewares products that are doing well in India are:

1. Spectrum - Hooks and Accessories

2. Norpro - Kitchenware
3. Libbey - Glasware
4. Arrow Plastics
5. Whitmor - Storage accessories

In addition, imported appliances need to comply with safety and sanitation standards. According to UL's India office, all the reputed manufacturers go for testing according to IEC 60335-1 & IEC 60335-2-15 (or 60335-2-75 depending upon use) along with NSF 372 testing for lead content (though it is not mandatory in India). Depending upon the product type, a manufacturer can also go for IS 9845 – Global Migration test as well.

Market Entry

Distributors play a key role in helping international companies sell in the Indian market as they act as the link between importers and retailers where a large portion of the Indian consumers will visit to shop for their housewares products. Distributors have positioned themselves well in the Indian market by offering a wide variety of products, shorter lead time in delivering the goods and having a lower markup helping them gain access to the retail sector. In this sector the business largely depends on the relationships, quality of products and most important value for money. Some key challenges are import duties, high cost of marketing, difficult supply chain and finding a qualified partner and distributor.

In India, e-commerce is picking up very strongly. The size of the e-commerce sector in India stood at \$ 9.5 billion in 2013 from \$ 3.8 billion in 2009. The share of e-tailing has grown to 16 percent in 2013 from 8 percent in 2009. According to the latest figures, online portals are expected to be very instrumental for companies trying to access rural markets in near future. The internet facilitates a cost-effective means to expand a company's reach exponentially by overcoming geographic barriers. With rural India getting empowered with computers and smartphones, the internet is definitely going to make its impact very soon. Some of the leading e-tailing companies like Flipkart are selling housewares products as are specialist portals like Pepperfry and Fabmart. Most of India's population either does not have a debit or credit card and the ones that do, do not use it much for online transactions. Hence cash-on-delivery (COD) is currently one of the most popular modes of payments among Indian online stores.

The U.S. Commercial Service has excellent contacts with distributors, key organized retailers and e-tailers and are uniquely positioned to provide U.S. companies access to the target consumer segment through these sellers. U.S. manufactured products are very highly regarded in the Indian market and provide an aspirational factor to Indian consumers. The International Housewares Association (IHA) leads an annual sales delegation to India offering U.S. exporters a chance to meet with key retail and housewares players. The U.S. Commercial Service works with IHA to develop the agenda and organize the meetings. In addition, the U.S. Commercial Service also provides a fee based service called Gold Key, where individual companies visiting India are provided a full

schedule of meetings with qualified potential distributors and retailers to meet and discuss selling into India.

Key Players

In this section we take a look at some leading organized retailers in India, which are the best medium through which the Indian consumer can be reached. These retailers primarily cater to the consumers who will be able to afford imported products.

- Future Group: www.futuregroup.in

Future Group, led by its founder and Group CEO, Mr. Kishore Biyani, is one of India's leading business houses with multiple businesses spanning across the consumption space. While retail forms the core business activity of Future Group, group subsidiaries are present in consumer finance, capital, insurance, leisure and entertainment, brand development, retail real estate development, retail media and logistics. Future Group's joint venture partners include: US-based stationery products retailers, Staples and Middle East-based Axiom Communications. One of their key formats is Home Town, which is considered to be India's fastest growing chain of home improvement stores providing a single point destination for all consumer needs to build, equip and decorate their homes.

- Shoppers Stop Limited www.corporate.shoppersstop.com

Shoppers Stop is one of India's leading department store chains by the K Raheja Corp Group. Shoppers Stop has been awarded "the Hall of Fame" and won "the Emerging Market Retailer of the Year Award", by World Retail Congress at Barcelona, on April 10, 2008.

- Reliance Retail (Reliance Industries Limited)
http://www.ril.com/html/business/business_retail.html

Reliance Retail Limited (RRL), a subsidiary of RIL, was set up to lead Reliance Group's foray into organized retail. Since its inception in 2006, RRL has grown into an organization that caters to millions of customers, thousands of farmers and vendors. Based on its core growth strategy of backward integration, RRL has made rapid progress towards building an entire value chain starting from the farmers to the end consumers.

- Trent Limited (Tata Group): www.mywestside.com

The \$17.9 billion (turnover) Tata Group retail arm runs the Westside chain of stores. Trent has already established 22 Westside departmental stores in India.

Trade Events

HGH India 2014

Mumbai – August 5-7, 2014,
<http://www.hghindia.com/home>

The trade show HGH India is designed to connect Indian home product buyers with reputed national and international suppliers. Retailers, institutional buyers, corporate gift buyers, interior designers, distributors, and prospective franchisees from across India as visitors meet well-known and reliable Indian and international brands, manufacturers, importers and national distributors, who will be the exhibitors. HGH India will reveal innovations; highlight fashion, upcoming lifestyle and product trends; and introduce new materials, collections, sources and brands during the show.

Resources & Key Contacts

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