

Modern retail makes a big splash

Market Share Doubles To 10% In 3 Years As Consumption Patterns Change

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Mumbai: Modern retail has doubled its share to 10% of the Indian retail landscape in just three years. Its contribution has gone up from 5% in 2007 to 10% in 2010, according to internal estimates by the country's largest consumer products company, Hindustan Unilever (HUL). While this reduces the general trade pie to 90%, experts said general trade would continue to remain large.

In a presentation of investors, HUL said modern trade's presence in major cities like Hyderabad, Gurgaon, Bangalore and Chennai, is even higher, at an average of approximately 30% of the total retail pie. This, said marketers, is a pointer to a change in consumption pattern. "The contribution of modern trade to the overall retail pie especially in tier-1 towns has become extremely significant in the last couple of years. New categories like juices and mouthwashes are being discovered at a modern trade outlet, but that does not mean a family is not purchasing anything from its nearby general trade store," said Damodar Mall, president, integrated food strategy, Future Group, which runs the country's biggest modern retail store Big Bazaar.

Modern trade, said Mall, exists more like a first port of call for consumers where they experiment with new products. As demand in-

creases, it positively impacts general trade as well. The platform is being used by FMCG companies for demand creation, especially for new categories. "Earlier a consumer would switch from Lux soap to Dove in a longer period of time. Today, such a transition takes place in six months with the help of television and modern trade and it helps the company, modern trade and general trade all at the same time," said Mall.

FMCG companies are as-

siduously devising strategies for modern retail. HUL has begun to measure the health of its brands based on the market shares they have in modern retail, even though it continues to enjoy strong leadership positions in most of the categories in general trade as well. "It is heartening that our modern trade market shares are even higher than our shares in general trade across categories. We have grown share in 85% of our categories in modern trade in 2010 and also

grown in aggregate share in modern trade over 2009," said Hemant Bakshi, executive director, sales and customer development, HUL.

HUL was one of the first FMCG companies to set up a dedicated modern trade account management team in 2003. It also ensures that its plans are aligned with customers' needs, besides investing in building people capabilities.

"We have leveraged Unilever's learnings from across

markets and deployed the best-in-class practices that we use globally. Our ambition is not only to be the largest supplier for modern trade but also to be the most preferred," said Bakshi.

Studies suggest that while a majority of consumers in metropolitan India are as global in orientation as those at the higher end of the consumption cycle, consumers residing in towns beyond metros are also increasingly opening up to spend for a better lifestyle. "As far as tier-2 and tier-3 towns go we have had strong acceptance through Big Bazaar even for value added products. In fact, modern trade helps bring about distribution in small places for products which did not exist there before," said Mall.

A PricewaterhouseCoopers survey estimates the size of the Indian retailing industry at \$350 billion. "The Indian retailing industry is at an inflection point. It is set to enter a new growth trajectory owing to rising household consumption and the entry of corporate entities and global retailers," the report said. With the sector growing at 30-40% per annum, most global brands/retailers have evinced an interest in entering the market.

While the retail sector is yet to be liberalized, the government has taken a step in this direction by allowing a maximum of 51% equity participation by foreign companies in a joint venture with an Indian company.

