



Growth of Malls in India

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1. Introduction

A look at India's retail sector tells the story of how things have changed in the Indian economy. Well ahead on the road to becoming an economic super power, the last few years saw its economy booming, making it one of the fastest growing economies in the world. As proof that it is a country on the move, it has registered an average annual GDP growth rate of 6%. The year 2004-05 was a good one, with GDP growth at 7%. The GDP growth rate for 2005-06 was 9% - India Shining indeed, as we outperformed the projected figure of 8.1%. Of late, global recessionary trends have not spared India, and its robust growth figures have slipped to the region of 6%. Although India may not have been directly impacted, the global trends have made the Indian shopper wary.

The country is the largest democracy in the world and has a fairly 'young' population. Approximately 71% of the population is less than 34 years of age. Statistics show that the unemployment levels were due to fall to around 9.1% by the end of 2007.

These economic changes have resulted in hectic activity in the retail sector and a lot more is on the anvil. India's retail market is expected to rise to \$833 billion by the year 2013 (source: A.T. Kearney). They have also ranked it amongst the most attractive retail markets from 2006 to 2008, and in 2008, it valued India's retail market as being worth \$511 billion.

As per Images F& R Research estimates, the Indian retail market is growing at the rate of 10.8% per annum. The share of organised retail in this was a mere 5.9% in the year 2007.

Plus, the Indian retail sector is still very fragmented. Organized retail in India is at a very nascent stage, but is poised to grow in the coming years. According to KSA Technopak, organized retail pegged at USD 7.5 billion is expected to cross the USD 21.5 billion mark by 2010.

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2. Mushrooming Malls in Cities

Mall growth was seen as a clear indicator of the economic prosperity in India. It also symbolized the changing culture and aspirations of the Indian shopper. Significantly, the number of malls in the country increased at a frenetic pace. For instance, with almost no malls present in the country over a decade ago, the figure was expected to reach 600 by 2010. The country was to have over 100 million sq.ft. of available mall space by the end of 2007. Today (2009) there are 120 malls totalling 3.9 million sq.mts. across the length and breadth of the country.

Triggers to the Retail Revolution

The reasons for growth in the organized retail sector can be attributed to the following:

1. An increase in disposable incomes with people

Average spending in India has increased to 11.5% per annum for over a decade and is expected to increase at the rate of 8.5% p.a. till 2015.

This is more so in the middle class, which comprises 22% of the total population. By 2010, this class is expected to grow to about 32% of the total population.

2. Young and Rich

The 'young' population of the country comprises over 50% people below 25 years. This age group is expected to continue seeing a growth – and the good news is that these individuals like to spend on lifestyle products.

3. Urbanization

Retail stores have predominantly been an urban phenomenon. 28% of India's population lives in urban areas and this is estimated to be 40% of the total population by 2020.

4. Financing Options

Easy availability of retail loans has also boosted demand for more products and services. This has led to a spurt in the retail sector.

5. Availability of Space

Another reason for this retail surge is the growth of malls. From a total of 158 in 2005, mall numbers are expected to grow to 600 by 2010.