CHAPTER 4

INDUSTRY AND COMPANY PROFILE
4.0 Industry Profile

4.1 21st Century Retail

The 21st century retail is a compendium and cutting edge of knowledge that is taking this industry to compete on a global level. Today, there are a number of forces like increasing competition, growth of online retailing that is leading to global expansion of major retail chains like Walmart and Metro to name a few. There has been so much development due to the explosion in customer level data, retail practitioners, analysts and policy makers.

The main concern for retailers is to understand the expectations of the customers and the shopping experiences that have changed over the years which has made retailers to change the way the strategies are formulated and implemented. Today, there is a huge disposable income and the consumers have moved beyond basic needs.

Retailers are formulating the idea about delivering quality experience along with the product offering. The retailers are of the opinion that it is their duty to sell products and generate profits for the organization. But for the end consumers, it is the experience of the customer that has an impact in terms of relationship building and repeat purchase.

4.1.1 Understanding the Shoppers Expectations Is Critical to Future Success

The retailers in India are into changing the way the business functions. They are into customer engagement by framing a two way dialogue between the retailer and the customer. Here, connecting to the customer means that their main focus is on delivering value and contributing to the community at large. The priority here is about business creation through satisfying the needs and expectations of the customers at large.

The concept of “Unity Marketing” mainly concentrates on establishing a conversation between the shoppers and the end customer which helps the retailer to formulate and implement marketing strategies that enhance the experience of shopping in the retail sector.
4.2 SWOT Analysis of Retail Industry

The SWOT analysis is a tool that is being used by retail companies in order to evaluate their business. The tool of SWOT helps a retailer to analyse their Strengths, Weaknesses, Threats and Opportunities which is essential for the retailer to develop their strategies to face competition in the industry. Here, strengths and weakness are internal to the organization and threats and opportunities are external to the firm.

**Strengths**

The retailer begins with the first step of identifying the strengths that the brand and the organization possess. A few strengths possessed by the retailer are:

- a. Financial stability
- b. Cheap wholesaler’s products
- c. Unique product availability
- d. Core competency of the brand
- e. Suppliers and logistics for product procurement.

**Weaknesses**

The second aspect that should be considered is to identify the weakness of the retailer so that it can be converted into the opportunity for the benefit of the retailer.

A few weakness of the retailer are:

- a. Weak brand image v/s competitors
- b. Lack of brand identity
- c. Sale of cheap products
- d. Lack customer service
- e. No competitive advantage.

**Opportunities**

The third is to identify the opportunities that exist for the retailer to grow and expand in the market. A few opportunities include:

- a. Identification of competent sales force
- b. Market research to identify diversification opportunities
- c. Mergers and Acquisitions
d. Introduce a new product line.
Threat
A threat for the retailer is always external. It is not under the control of the retailer but it can be adapted based on the situation. A few threats faced by the retailer are:

1. Decrease in Consumer demand
2. Recession
3. Price wars
4. Competition increase
5. Change in shopping habits

4.3 Global & Indian Scenario of Retailing

4.3.1 Global Perspective of Retailing
The global economy has shifted due to the “Great Recession”. The mature economies like North America, Asia, Latin America etc, the global performance helps in strengthening the economy of emerging countries. The developed countries help the emerging economies for wealth, development and influence on the global economic stage. This has helped in bridging the gap between mature and emerging and emerged markets in the retail sector.

The shopping centers generate performance based on their demand across the globe. Over the past few years, the economic situation has helped in the generation of the retail activity over the past two years, resulting in developing retail markets that have helped in increasing the consumer base and an emerging middle class, while new economic policies and the continued inflow of international brands are revolutionizing and strengthening the retail sector in these regions.

4.3.2 Cross-Border Trends : Evolve & Adapt
The performance of the economy would differ between emerging and developed markets. There are huge differences in terms of spending patterns, preferences of the consumer and advances in technology that is having a huge impact in various markets.

The shoppers located at prime centers need to constantly re-positioning themselves in order to cater to the modern customers of the 21st century. The main priority for a retailer would be
to provide a favourable shopping experience to the end customer. Due to the emergence of e-commerce as a channel to shop, it’s a complex process for the retailers to facilitate a sale.

The shoppers are innovating with new methods of innovating and serving the needs of the customer. The various services include smart phone applications, virtual shopping centers and using social media to drive customer engagement in order to create a positive experience of the end customer.

The owners of shops are mainly focused on developing a tenant mix for varied market segments of the shoppers in the 21st century. In the economy where the spending power has increased with a high amount of tourism, it has made the shoppers to focus on the luxury market. Due to the emergence of a global retail market, the demands of the customer is having an international mix in terms of expectations of the customer.

In countries like Asia, Latin America etc, there have been high end high-end and luxury names like Gucci, Prada, Louis Vuitton, Ralph Lauren, Tory Burch, and Kate Spades. In a developing country like India, the concept of the anchor tenant is often being re-evaluated, with physical spaces being divided and re-sized from various types of retailers.

4.3.3 Consumer Behaviour : Global But Local

Due to the development of globalization, there has been an emphasis on local language and its adoption in the place where the organization is situated in the globe. A few parameters that are being preferred are product design, manufacturing, distribution channels, and supply chain management, to name just a few.

The mentioned factors are most prevalent in food and beverage sector, where menu offerings are tailored to suit local preferences which leads to acceptance. The concept of behaviour of the consumer is to study the way people shop across various parts of the globe. It has a huge impact on the landscape of retailing which is more structural in nature and has a few features of the various formats used across various countries in the world.

The mix that is being created by the retailer is being done in such a way that it drives the environment of the economy. In developing markets, due to external factors like technology, economic changes and geographical boundaries, it has lead to the increase of the middle class. When the whole of Asia and Latin America is being considered as regions in specific, it leads to the emergence of the younger generation of consumers who have increased buying power.
4.4 Transforming of Retailing in India

The daily chores of buying essentials for an average Indian has now transformed into an indulging experience. A visit to a nearby mall is good enough to feel the magic of this change. While world-class infrastructure and superior service orientation are apparent attributes of the expanding footprint of organized retail, technology is the real secret ingredient.

4.4.1 The massive opportunity: still untapped

There is little doubt about the increasing penetration of organized retail in India, but as experts put it, we have not even scratched the surface as yet. Just to put things in perspective, as per India Brand Equity Foundation, “India’s retail market is expected to grow at 7 per cent over the next few years, reaching a size of USD 850 billion by 2020.” Several global and Indian companies are getting ready to secure the largest share of this expanding pie but surprisingly, competition is not their biggest worry.

Parakh Dave from Future Group says, “India is a great opportunity and our biggest challenge is to scale up and do that fast.” As per experts, Indian organized retail is expected to grow at a scorching pace of over 25 per cent vis-à-vis 7 per cent growth projected for retail sector as a whole in the next few years. This prediction is testament to the aggressive scale-up plans of the existing and expected organized retail players in the Indian market.

4.4.2 Scaling up: Challenges

It’s alright to draw-up aggressive growth plans with respect to growing number of stores and points of sale but bringing it to life is a stiff challenge in a market like India. When you have customers at the forefront of everything that you do, replicating world class retail environment in store after store is an imperative. Right from solving the daily supply chain riddles to training your manpower for a delightful customer interface, scaling up is a massive task. organized retail.”

4.5 M-Commerce

E-commerce is being overtaken by Mobile Commerce in various parts of the globe. More than 50% of total online orders comes from mobile and it is estimated that by the end of 2015, desktops will not be sold in the market.
4.5.1 Why is this happening?

In urban markets, e-commerce is growing at a fast pace. It is shown in research papers that one of the e-commerce companies, Myntra gets around 60% of its customers from Tier 2 & 3 cities. The main reason for this drastic change is due to the penetration of mobile.

1. **Infrastructure:**
   India is a country that has the maximum use of mobile. The reason being, India has a problem in terms of infrastructure and electricity to operate millions of laptops but it has strategized to provide the service of data to a million mobile phones. The device of mobile is the only tool that connects millions of customers in both urban and rural India.

2. **Affordability:**
   Android is a tool that is taking over in the Indian market. Though a majority of the population have a low income bracket, mobile phone has been made as an affordable gadget that can be owned by any individual.

3. **Access:**
   The most well known brands are not found in the Tier 2 and Tier 3 cities. Therefore, another method of inspiring the target audience is to procure the product of their choice using the online medium.

4. **Payment mechanism:**
   In India, there is a whole new market that has opened up due to the emergence of the concept of cash on delivery. This concept of cash on delivery emerged due to the insecurity among Indians to use credit card on the online platform. The population in rural India prefer to purchase online but pay for the product in cash.

   It is for the above reasons that India is known to have one of the largest markets in the mobile sector. A few e-commerce companies like Snapdeal, Flipkart and Myntra and adopting mobile and creating campaigns that can be accessed through the mobile. The mobile for organizations is being used as device that is used for promotions, product purchase and generating sales for the organization.
4.6 Industry & Company Profile

4.6.1 Automobile Industry

There are many industries that carry on their business. One of the largest industries in the world is the Indian automobile industry with an annual production of 21.48 million vehicles for the FY 2013-14. This industry accounts to 22% of the gross domestic product of the country.

The population of India is young which has a middle class that is expanding in the company’s interest which is attempting to penetrate into the rural market have made two wheeler popular that contributes to 80% of the market share. This contribution has made Indian automobile industry as a leader in terms of contribution to the economy of the country. There is a market share of 14% in the overall passenger segment of 14%.

The Indian market by 2020 is forecasted to be a leader in the two wheeler and four wheeler market across the globe. It is also estimated that there would be increase in exports in the future.

4.6.2 Market Size

According to the Society of Indian Automobile Manufacturers (SIAM) the sales of commercial vehicles has increased over the past one year to 5.3% (52,481 units) in January 2015. Also, the sales of cars grew by 169,300 units (up by 3.14%) in January 2015.

The sales of Maruti who are No.1 automobile leaders in India increased by 8.6% in February 2015 (118,551 units) out of which they sold 107,892 units in domestic market and exported 10,659 units. This was followed by Hyundai Motor India Ltd. (HMIL) who also reported an increase of 2.4% in their sales (47,612 units) in February, 2015 compared to 46,505 units sold same month in 2014.

As far as the two wheelers segment is concerned, Hero MotoCorp sold 484,769 units in February, 2015 followed by TVS Motor Co. which had an increase in their sales by 15% selling 204,565 units compared top 177,662 units sold last year. Also, Bajaj had a total sale of 243,00 vehicles in the two and three wheeler segment.
4.6.3 Investments

In order to match the demand with production, there has been a demand of auto makers who have invested heavily in varied segments in the automobile industry over the few months. The automobile industry has been successful in attracting foreign direct investment (FDI) worth US$ 12,232.06 million during the period April 2000 to February 2015, according to the data released by Department of Industrial Policy and Promotion (DIPP).

There has been some major investments and developments in the automobile industry. Listed below are the same:

- DSK Hyosung has announced a plan to set up a plant in Maharashtra. They want to add about 10-15 dealerships during the financial year 2015-16. They want to do this mostly in the tier-II cities and are also planning to introduce new models in the 250 cc segment.

- A German based luxury brand car manufacturer Bayerische Motoren Werke AG’s (BMW) local unit is planning to procure components from 7 auto part makers in India.

- 51% shares of French based Peugeot Motorcycles has been acquired by Mahindra Two Wheelers Limited.

- Suzuki Motor Corp is planning to sell the automobiles made in the Gujarat plant, in Africa.

- India’s largest automobile manufacturers Tata Motors Ltd, will sell their trucks to the Asia Pacific regions such as Malaysia, Vietnam and Australia.

4.6.4 Reasons to Invest

- India is expected to be the fourth largest automotive market by in the world by 2015.

- India will be a part of the big global automotive triumvirate in the next 30 years.

- India’s potential for international brands in tractor sales are expected to grow at CAGR of 8-9% in the next five years.
• The two-wheeler production in India has increased from 8.5 Million units annually to 15.9 Million units over the last 7 years and there is a huge market for the same in rural India.

• By 2020, India will have a potential to grow to 6+ million units of cars annually.

• There is an emergence of large automotive clusters across India.

• Global investors in automobile industry see a huge demand in the domestic market in India which is growing at a very fast pace. These investors want to set up export oriented manufacturing units to leverage India's competitive advantage.

• Private automobile companies like Hyundai, Suzuki, GM are interested to have R&D units in India with the support of Indian Government in setting up NATRiP centers.

• In India, Tata Nano has set up a fine example of Indian frugal engineering and is being positioned as a mobilizer of the young generation.

• In the coming years, electric cars hold a sizeable market segment.

4.6.5 Growth Drivers

• An increase of 16% CAGR is expected for passenger vehicles during the period 2013-20

• Expansion of CAGR at 9% is expected for the period 2013-20 in the two and three wheeler segment.

• The GDP per capita has increased from USD 1,432.25 in 2010 to USD 1,500.76 in 2012. By the year 2018 it is expected to reach USD1,869.34. Hence, it is expected that this should encourage the middle class and the working population of India to be the target buyers of vehicles.

• India is amongst the top 12 countries in terms of high net worth individuals with a growth of 20.8%.

• There has been an increasing disposable income in the agri-sector in the Rural India and this has led to an increased purchasing power of both urban and rural India.

• One of the main growth drivers in India is a strong education system coupled with a large pool of semi-skilled and skilled labour that leads to the production of high quality products in the manufacturing sector.
There are a huge number of products that are being put forth in front of the customer across varied industries and segments. Due to the increased foreign players entering into India, it has led to reduced product lifecycle, product launches and increased sales over a short period of time.

Due to the availability of a variety of models to meet the various needs and preferences of buyers, there are affordable finance schemes available due to which the auto finance industry has increased at the rate of 13% during the period 2008-2013. Also, the car finance penetration has gone up from 68% to 70% for the period 2008-2010 and between 70% to 72% in 2011-13.

4.6.6 Government Initiatives

The Government of India allows 100% FDI towards foreign investment in the automobile industry. The excise duty has been reduced from 12% to 8% in February, 2014 on commercial vehicles, small cars, motorcycles and scooters. This is an initiative taken by our Indian Government in order to encourage the “Make in India” concept.

Some of the major initiatives taken by the Government of India are:

- The Government of India is taking steps to ensure that at least one family member is financially independent to support their family by providing them a credit of Rs.8.5 lakhs which would in turn improve the sales of the two wheelers.

- In order to promote eco-friendly environment, the Government of India has come up with a scheme in order to encourage sales of affordable and efficient electric and hybrid cars under the National Electric Mobility Mission 2020. They have also made it mandatory of 5% ethanol blending in petrol.

- The Indian Government, designed the Automobile Mission Plan for 2006-16 in order to sustain growth and accelerate sales in the automobile industry.
4.6.7 Companies Considered for the Study

Automobile Industry

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<th>Niche Market</th>
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<td>Porsche Panamera</td>
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<td>Honda Brio</td>
<td>Jaguar XJ</td>
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4.6.8 Road Ahead

India is one of the most competitive countries in the world for automobile industry. It has an outstanding performance of over 97% in spite of the fact that it does not cover the components of technology.

India is seen as an emerging destination in the world for designing, manufacturing of automobiles and auto components with an output of USD 145 billion which accounts to over 10% of GDP and also providing an employment to about 25 million people by 2016. Maruti Suzuki, Japan, is expecting that the Indian market for cars will touch 4 million units by 2020 nearly 1.8 million increase since 2013-14.

4.7 Mobile Industry

The telecom industry is being acknowledged for the global socio-economic development. The world’s second largest tele-communication market is India which has witnessed exceptional growth in the last few years.

India’s gross domestic product (GDP) is US $ 400 billion which is being done by GSMA in collaboration with BCG. The Government of India’s liberal policies has helped in the easy access of the market in the area of telecom in India. Further, there has been a de-regulation in FDI which has made this sector as one of the highest performing industries that has generated a lot of employment for the country.
4.7.1 Market Size

Telecommunication has been one of the main sector for modernization of the economy. The data consumption adoption contributes to US $ 29.8 billion in 2014 and it is expected to touch UD$ 37 billion in 2017 which contributes a CAGR of 5.2% as per the research firm IDC.

India is set to become the world’s largest smartphone market. It is estimated that there will be 213 million mobile internet users by 2016 and a 23% rise is expected by 2018.

By 2017 it is expected that the broadband in India will grow to 250 million connections. According to Ericsson, our country has 18 million users which has the fastest growth in the mobile industry followed by China with 12 million additions.

It is expected that India’s telecom industry will create about 4 million direct and indirect jobs in the next 5 years with the support of the government’s efforts to increase penetration even in rural areas especially with the increase in internet usage through mobile phones. The CEO of Ranstad India Mr K Uppaluri has said that the telecom sector has been growing aggressively at an average rate of 35% a year for the past two decades.

4.7.2 Investment

The increasing daily subscriber base in the telecom industry has led to a lot of investments in this sector. The telecom sector has been instrumental to get FDI worth USD 16,994.68 millions from the year 2000 until 2015 (data from Department of Industrial Policy and Promotion).

A few developments in the recent past are:

- USD 100,000 was funded to strengthen India’s investments in research of broadband technology by Sterlite Technologies Ltd.

- Maxx is investing over USD 965,615.81 to set up R&D laboratory at its mobile handsets plant in Haridwar.

- Huawei Technologies won two contracts worth USD 120 million from Bharti Airtel and Idea Cellular to upgrade their wireless networks.
• Bharti Airtel has signed agreement with IHS Holding under which Airtel will acquire about 1100 telecom towers spread across Zambia and Rwanda.

• Ericsson has won a seven-year deal worth more than US$ 1 billion to manage the network of Reliance Communications across 11 service areas, making the Swedish telecom gear maker the only service provider to manage the pan-India network of a mobile phone operator.

4.7.3 Government Initiatives

Our Government of India have made a few reforms in the processes of the telecom sector. A few major initiatives taken by the Government of India in order to facilitate trade are as listed below:

• The government of Uttar Pradesh has set up mobile manufacturing units by investing Rs. 5000 crores.

• Bharat Sanchar Nigam Ltd. (BSNL) will be giving free high-speed wi-fi in 2500 cities and towns across India with the Indian government planning to invest Rs.7000 crores over the next three years for the same.

• Every government owned services such as railway stations, airports, bus stops, hospitals, etc. that deal with the public on day to day basis will give the citizens of India about 2 megabits per second wi-fi speed to utilize the services provided by them.

• The Union Cabinet of India has approved the largest ever telecom spectrum auction that is targeted to fetch at least Rs 64,840 crore (US$ 10.43 billion). The government will sell 380.75 megahertz (MHz) of second generation (2G) spectrum in three bands—the premium 900 MHz, 1800 MHz and 800 MHz.

• The officials of telecommunications have been advised to use of public utilities such as post offices, railway stations and schools to speedup national optical fibre network.

• For the first time in India a State Government (Kerala) has decided to allow the mobile telecom service providers to set up towers on the government land and buildings.

4.7.4 Road Ahead

India will emerge as a leading player in the world of virtual by having more than 700 million internet users of the 4.7 billion global users by 2025, as per a Microsoft report. Due to the
favourable regulation policies introduced by the Government, it has resulted in rapid growth of the telecommunication sector and it is further estimated to grow in the years to come.
4.7.5 Companies Considered for the Study

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<td>Spice Fire One</td>
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4.8 Apparel Industry

The second largest market in the world is the apparel industry which contributes 63% of the share in the market in the textile and garment industry. The textile sector is divided into on a broad perspective into yarn and fibre and processed fabrics. India has the highest loom capacity (including hand looms) with 63 per cent of the world's market share. In addition, India accounts for about 14 per cent of the world's production of textile fibres and yarns (largest producer of jute, second largest producer of silk and cotton; and third largest in cellulosic fibre.

It is estimated that the domestic textile and apparel industry in India will reach US$ 100 billion by 2017 and US$ 141 billion by 2021 from US$ 67 billion in 2014. It is noted that India's textile market in 2014 was US$ 99 billion and the market is expected to increase at a compound annual growth rate (CAGR) of 9.6 per cent over 2014–23 to US$ 226 billion as per estimates.

As regards textile and apparel industry, it has always been a major industry for exports. It is expected to increase to US$ 82 billion by 2021 from US$ 40 billion in 2014. Also, the demand for apparel is likely to rise to US$ 122 billion by 2017 from US$ 65 billion in FY11.

Rising government focus and favorable policies to support the industry has led to growth in the industry. In the 12th Five Year Plan, the Government plans to provide a budgetary support to textiles of US$ 4.25 billion against US$ 4.18 billion in the 11th Five Year Plan. Free trade
with ASEAN countries and proposed agreement with European Union will help to boost exports.
4.8.1 The History of Textile Industry

The textile industry has been developing over the years and has come a long way in being a domestic industry to being an organized industry. With the beginning of the Industrial revolution, this industry has gained importance with time due to the high production of wool, cotton, silk and other materials that have given this industry a boost over the past few years.

This industry initially originated in United Kingdom, a country that is known for the technique of textile production in Europe and North America for its manufacturing processes in the textile sector. The various Asian countries with their developing economies have taken steps for the emergence and growth of this sector. Developing countries like India, Hong Kong and China have become producers who are leading in this industry due to the cheap labour availability which is one of the most contributing factor to lead in this industry.

The World Trade Organization (WTO) has taken important steps for development of this sector. In 1995, WTO had adopted Agreement on Textiles and Clothing (ATC), which provided for removal of quotas on textile and clothing among WTO member countries. This agreement was enforced on 1-1-2005 and all the quotas were abolished. Although high tariffs and quantitative restrictions are imposed by the economically developed countries, the developing countries are increasingly exporting textiles to developed and other countries.

4.8.2 Global Scenario

The world apparel market was worth US$ 345 bn in 2007. The market has grown at a rate of 8% during this decade. However, post quota the rate of growth has increased and for the last two years it has grown at a rate of 12%. There are two possibilities of growth from here on:

First, the high growth scenario with average annual growth rate of 12% - In this case, growth trajectory remains same, at 12%. This could be because of supply side push of low cost apparel from China, Bangladesh, Vietnam and other emerging suppliers. Under this scenario, world apparel exports would be worth US$ 854 bn by 2015.

Second, a moderate growth scenario with average annual growth rate of 8% - Moderation due to recession in 2008 & 2009 as also possibility of market saturation can result in growth of 8%. Under this scenario, world apparel exports would be worth US$ 640 billion by 2015.

Thirdly, low growth scenario with average annual growth rate of 6% - In this case, under this
scenario, world apparel exports would be worth US$ 550 billion by 2015 end. (AEPC Vision 2015 for Apparel Sector)

The present domestic textile industry is estimated at US$ 33.23 billion and unstitched garments comprise US$ 8.31 billion. The sector contributes about 14 per cent to industrial production, 4 per cent to the gross domestic product (GDP), and 27 per cent to the country's foreign exchange inflows. It provides direct employment to over 35 million people.

4.8.3 Key Markets and Export Destinations

The main countries where India exports apparel are USA, Europe, Asia and Middle East.

The future of Indian apparel exports is expected to increase from 4.5% to 8% and would reach 80 US million by 2020.

4.8.4 Companies Considered for the Study

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