

# Slowdown effect: Retailers flocking to rural markets for growth

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WITH the slowdown taking its toll, retail companies have started announcing new ways to keep them ticking. With footfalls not showing much growth in big cities, rural areas, smaller towns and suburbs are the new growth markets of retail companies.

Leading retail players like the Future Group (including Big Bazaar and Pantaloon), Spencer's Retail, Shoppers Stop, Infiniti Retail and Vishal Retail have planned to move to rural areas after making their presence felt in metros and their suburbs. They feel that such an approach will also help them to improve margins and revenues.

"We have decided to increase the num-

ber of our stores from 22 to 52 at the end of financial year 2010. Our main focus is to set up units in adjacent cities of any capital region. We want to invest Rs 3 crore for each 10,000 square-foot store," said Infiniti Retail chief executive and managing director Ajit Joshi.

Said an official of the Future Group, "We expect our overall expansion growth will be over 40 per cent in rural retailing. We believe that the increase for organised retailing will depend on the amount of investments made and government policies."

e-Zone chief executive Manoj Kumar said, "We plan to add another 75-odd stores this fiscal and 150 by 2010-11 across the country. We currently focus in four cities including Mumbai, Chennai and Hyderabad. In the next four months, we

may go to smaller locations."

"Rural markets have great potential. Rising rural income, mainly from healthy growth in agriculture, combined with better penetration by companies into the village market, have pushed up demand," said Camlin Ltd chairman and managing director Dilip Dandekar. "We are more focussed on rural areas because a number of SEZs and new industrial areas are on the cards." In short, the purchasing power in rural areas is increasing.

Retailers Association of India chief executive Kumar Rajagopalan said, "There may be two reasons behind the geographical diversification of retailers to mostly Tier-II, Tier-III cities and even smaller towns. One, the realty prices have come down. Two, retail firms are optimistic on consumers' confidence. Rural markets can



give growth guarantees in their business ventures despite the slump in margins."

In fact, the unexpected rise in property prices and rentals in the past three years due to supply-demand dynamics, had

**This could soon be a common sight in rural India with leading retail players like Future Group (including Big Bazaar and Pantaloon), Spencer's Retail, Shoppers Stop, Infiniti Retail and Vishal Retail planning to move out of metros to new growth areas**

dedented margins of retailers. "Now the worst is over. It is the time to look at consumer centricity, expense management and merchandise optimisation," Rajagopalan said.

According to an Assocham study, rural India is pushing demand for fast moving consumer goods, two-wheelers, passenger cars and retail faster than urban areas, giving a healthy revenue growth to firms even as the global meltdown deepens.

"The taste of urban consumerism has reached its saturation point. Urban consumers are more attracted to imported items whereas their rural counterparts are more focussed on indigenous products," added Rajagopalan.

Industry pundits say that the growth in organised retailing will depend on the investments made and government policies. "We are hopeful that the new government will allow the retail sector to get more foreign direct investment into the system," said an industry source.