

Retailers bullish on festive sales, to open more stores

Raghavendra Kamath & Neeraj Thakur / Mumbai/new Delhi October 2, 2008, 0:40 IST

Retailers across the country are upbeat about sales prospects with the advent of the month long traditional festive season which sees millions of shoppers go on a spending spree.

Companies like Kishore Biyani's Future group, Vishal Retail and Reliance Retail among others expect more Indians to spend money on a variety of consumer goods of middle-class shopping habits, including clothing, mobile phones, televisions and refrigerators among others.

A cross section of retailers that Business Standard spoke with were gung-ho on sales prospects, even as concern over slowing credit availability, higher interest rates and high prices is expected to hurt consumer demand. A key reason for the upbeat assessment is the fact that the recent pay hike and arrears for an estimated 4.6 million central government employees leaves more disposable income in their hands.

Several states are also likely to give pay hikes to their employees, even as the private sector executives are hoping to pick up their annual bonuses. Central government employees including those in the Indian Railways will receive arrears of nearly Rs 11,750 crore, in addition to their enhanced pay this month.

Unlike overseas, retail consumer spending in India is not quantified as extensively, but the nine-day Hindu festival of Navratra, along with Eid which Muslims are celebrating this Thursday, sees people buying household necessities and goods with gusto. Buying continues right through up to Diwali, which falls at the end of October. A key reason for the upbeat assessment is also the fact that this year all the key festivals fall in October, unlike last year when Navratra was in October and Diwali the month after.

Kishore Biyani's Future group has already started opening the first few of at least 12 new stores planned this month, including some dedicated to retailing electronic goods, at various locations across the country. Other retailers also have similar plans.

"We expect sales growth at 10 to 15 per cent or even higher in some categories like clothing," says Rakesh Biyani, chief executive, Future Retail. The group expects sales of Rs 175 crore in consumer durables this October, over double of what it did in the same period last year.

Essar Group's mobile handset retail chain is opening 100 stores during October. "I think the festive season should be fine and we have already seen 25 per cent improvement in sales after the Shraadh period got over," says Rajiv Agarwal, chief executive, The Mobile Store. "We expect 45 per cent growth in sales during this month," he adds. The Mobile Store has 1200 stores and planning to take its total tally of stores to 2,000 by 2009.

Delhi-based Vishal Retail is also increasing its presence, mainly in north India, to cash in on the festival boom. It plans a mix of company-owned and franchisee-run stores this month. The company is opening three stores at Lucknow, four at Delhi, one each in Varanasi and Rae Bareilly and giving out franchisees in Ludhiana, Bakshi Nagar, Mirzapur, Fatehabad, Bharatpur and Jaipur.

"We are all set to launch our new stores and increase our presence in India. Diwali is the right time," says Ambeek Khemka, president, Vishal Retail.

A Reliance Retail executive said the company was geared up for Diwali in a big way across its stores with special products and offers. "This is the best time of the year for sales. We are opening new stores in lifestyle and other formats during the festive season", he added.

However, there are some who have a more conservative outlook. "With overall economic sentiment negative, it would be challenging to achieve higher sales. I expect festive season sales will be down 20 to 25 per cent this time and if retailers do not offer discounts and promotions, sales can fall 40 per cent," says Susil Dungarwal, a Mumbai-based retail analyst.

Adds Purnendu Kumar of business consultancy Technopak Advisors: "Given the current conditions, even if retailers do the same business as they have done last year, it would be good enough. We expect lesser corporate gifting this time and a sharp drop in sales of lifestyle goods such as laptops, jewellery etc".

Retailers are already launching promotional schemes to woo customers. For instance, Trent, the retail arm of Tata group, is offering higher discounts on particular categories at its Star Bazar stores. Starting this Thursday, the store will offer discounts on food, extending it later to the kids category, to gifts and finally to apparel towards the end of the month.

The country's retail sector is projected to grow to \$700 billion, while organised business is expected to be 20 per cent of the total market by 2010, according to consultancy Northbridge Capital. The retail market, which is currently worth \$400 billion, is growing at annual rate of 30 per cent.