



INDIAN RETAIL AND THE ROAD AHEAD

Like many sectors of commerce in India, the potential for India's retail growth is huge. An ever growing middle class with changing aspirations, some 65 percent of its 1.2 billion people under the age of 35, more disposable income and more populated urban centres are fuelling the need for development. The road ahead although bright will have its challenges in how we continue to manage these centres well. The prerequisite of getting the act right lies in knowing the need of the catchment and local communities and building a right shopping centre with a justified tenant mix.

BY ZUBIN COOPER

With Modi's government there is a growing mood of expectation as he dates with many a world leader to woo foreign investors to our shores. And although more work is yet to be done, the government is taking steps to ease the flow of foreign investment and ownership, which will increase the flow of money into the retail market and see more foreign brands in India. This will help new retail centres offer more choice for the avid shopper.

India seems to be absorbed by America's love for statistics, and yet more growth values continue to flood in, as we are to understand by 2020 its retail market worth is to double to one trillion USD. It will employ per cent of India and achieve a growth of 20 per cent and have a GDP of 10 per cent. Yet with all these statistics the "proof of the pudding" is how we can create sustainable retail developments that stand the test of time for whatever the financial model of the developer.

The E-Commerce Industry is also set to rise from 35 million USD to 100 million USD in the next 2 years. We see this beginning to happen already as the so called "brick and mortar" companies such as Croma and the Future Group, align with online retailers such as Amazon and Snapdeal. Exciting times for not only new retail growth but a change in our shopping experience. The "physical" retail model certainly for the long term still seems the more popular option, but the future holds a new realm of experiences and possibilities as we move to a more "virtual" online mode of consumerism.

At Bentel Associates we find ourselves constantly challenged by the changing landscape of retail design and the attitudes of our clients. We are beginning to see, and as architects directly cater for the new needs and requirements of a more sophisticated clientele. The



traditional model of the air conditioned retail centre now finds itself family to an integrated “mixed use” offer as oppose to a standalone building. One of our most recent projects in Delhi called “Vegas” due for completion in 2016 is a classic example of a retail centre forming part of a mixed use development; with service apartments, residential buildings and office buildings forming part of a holistic development. Need for such developments have been generated by market demand, an increase in urban populations and developers wanting to increase their offer by spreading market risk across various asset classes. We at Bentel see this as an incredible opportunity to create urban centres offering the end user not only choice but urban environments that create centres to cater for the need for communities to live, work and play.

We at Bentel continue to experience the challenges of the retail market first hand with our clients; growing rentals, finding the right talent pool to manage the centres and operate the stores, to getting the right tenant mix in accordance with market conditions. But perhaps the greatest of India’s challenges is in the provision of adequate Infrastructure to cater for such large scale developments. In particular concern are the most densely populated tier 1 cities such as Mumbai.

Mumbai desperately lacks visionary leaders to “master plan” the city’s hunger for development and demand. Currently Mumbai’s population sits at 18,000,000 already a burden to its current infrastructure. By 2025 we will see this number grow

close to 27,000,000 inhabitants. How we deal with this magnanimous implication on both environment and infrastructure is an issue that can’t wait and needs to be addressed immediately. The only way we can create sustainable liveable environments that ultimately improve the human condition is to provide “our people,” basic needs for cleanliness, mobility of travel and opportunity.

So be it retail development or any other offer, these challenges remain issues fundamental to the heart of a prosperous India. Ofcourse the demands for mixed use retail models will increase and with this the need for adequate Infrastructure. With these demands, we are continuing to expand our sector work (asset classes) and are beginning to venture into larger master planning developments; particularly where there is a large retail driven mixed use component. Having delivered many successful master plans in South Africa and India, such as Nelson Mandela Square in Johannesburg and Vegas in Delhi, we have many other similar projects in the pipeline.

With larger infrastructure projects taking hold throughout India we are seeing great opportunities to further our retail mixed use experience in various tier 1 and 2 cities throughout India. Better infrastructure and the creation of transit stations will mean rising Transit Orientated Developments (TOD). Creating density around such developments, and a varied asset class, such as residential and office will give people the option to live and work close in a self-contained environment. And of course with such synergy of uses

will drive a demand for retail and leisure. With the advent of these types of development in India will have to come a changing mind set of how a growing middle class can be part of the same mixed use environment providing residential for a higher class demand. For successful mixed use developments such as these in the future it will be vital that it is driven by not only a varied offer but a varied social class.

Retail developments in India are certain to change in the next 10 years. We will see a growing demand for virtual stores, a more interactive and digital experience evolving and with this a change in the nature of the traditional centre. Much has also been talked about open retail offers as part of mixed use offers where the focus will be concentrated on the creation of open streets and the creation of great public space. Indeed we can certainly see some such centres already becoming popular in Gurgaon. At Bentel we are also developing more “Lifestyle” driven and “Hybrid” centres, offering the developer a mixed offer and the potential for creating closed and open mall scenarios. The type of tenants in these centres also form an integral part of the future success of this type of shopping experience.

The challenges ahead are many, from the need for better infrastructure, tighter profit margins in the organised sector (gross margins 7 – 8 per cent lower compared to international centres), and an increasingly uncertain global economy. India however continues to mature and understand the long term needs of effectively managing any retail centre, with this vision we will see the “organised” retail model change and be a growing part of our lives and landscape. With India’s retail industry predicted to double to 1 trillion USD and worth 600 Billion USD today, the potential is vast. And at Bentel Associates we do have the good fortune of nestling in two “developing” continents, with offices in Mumbai and Johannesburg. As we move forward to grow our asset class offer and our International portfolio we are confident of solid growth in the years ahead. We look forward to shaping and influencing the changing retail models of the future in India and abroad. ●●

About the author:

Zubin Cooper is Chief Executive Officer at Bentel Associates. Bentel Associates is a joint venture between ICS Realty, India and Bentel Associates International, South Africa.