India offers best long-term growth opportunities for international retailers

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While China is the key emerging market for international retailers today, it is India that offers the best growth opportunities for the long-term, according to Matthew Stych, Head of Retail at market analyst Euromonitor International, speaking at Reuters Retail Summit 2007 (June 18) in New York.

According to Euromonitor International's latest forecasts, the Indian Retailing market will grow in value terms by a total of 39.6% between 2006 and 2011, averaging growth of almost 7% a year. In comparison, the Chinese market is predicted to grow by 30.5%, averaging 5.5% per year over the same period.

India is attractive for retail development as it is a relatively untapped market due to current legal restrictions on foreign direct investment (FDI). The good news for international players is that India's restrictive legislative environment on FDI is changing, to their benefit. In 2007, for example, the Minister for Indian Commerce announced plans to allow up to 51% FDI in the retailing of consumer electronics, sports goods and accessories. This step follows previous consent for 51% FDI in single-brand companies. Euromonitor International also expects regulatory restrictions on FDI in the grocery retailing sector to be lifted in the near future.

Joint ventures give international retailers time to evaluate Indian market
In the meantime, foreign retailers such as Wal-Mart and Carrefour are trying to gain a foothold in the market through joint ventures with Indian companies. This transitional period will benefit foreign retailers, according to Euromonitor International, allowing them time to understand the unique nature of India's retailing landscape and develop future format portfolios to match the needs of the market.

Euromonitor's Stych explains, â€œWhile it is true that access to India's consumers is still difficult with the Indian government prohibiting 100% foreign direct investment, this is not the barrier to entry that it may first appear, giving foreign retailers the time to evaluate India's diverse market properly, thereby improving their chance for success in the region in the long-term.â€•

China's major cities saturated
In stark contrast to India, international investment in the Chinese retailing market is now entering its second stage of development and it is already proving difficult to find attractive sites for expansion in the major centres of Shanghai, Beijing, Guangzhou, and Special Economic Zones where foreign retailers are already well established. Being the first foreign retailer in India could, therefore, make all the difference in future growth for international players, with early entrants gaining an advantage over competitors with access to prime locations in rural and urban India.