

**India  
& the  
Retail  
Revolution**

**Nirmalya**



**Kumar**

# AGENDA

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1. **The India Opportunity?**
2. Old and New Retail Business Models

# INDIA: FASTEST GROWING AIR PASSENGER MARKET

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- Last year, footfalls at airports grew:
  - 22% at international terminals
  - 14% at domestic terminals
- Number of airports doubled in past 10 years to 150 and expected to reach 200 by end of decade
  - Domestic air passengers to double to 300 million
  - Will be third largest market
  - Delhi with 109 million second busiest airport
  - Mumbai-Delhi world's third busiest route

# WITH ENORMOUS POTENTIAL

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- Between 2020 and 2023, growth in passenger air traffic: +260% Metros; +316% Tier 2; +354% Tier 3 airports
- 970 aircraft orders placed in 2023, total 1,600 on order
- Only 3% of Indians fly regularly but that is 42 million
- Passenger miles per capita is 0.13 for India, 0.52 for China and 3.03 for USA, so:
  - If India = China, market will be 4 times of today
  - If India = USA, market will be 23 times of today

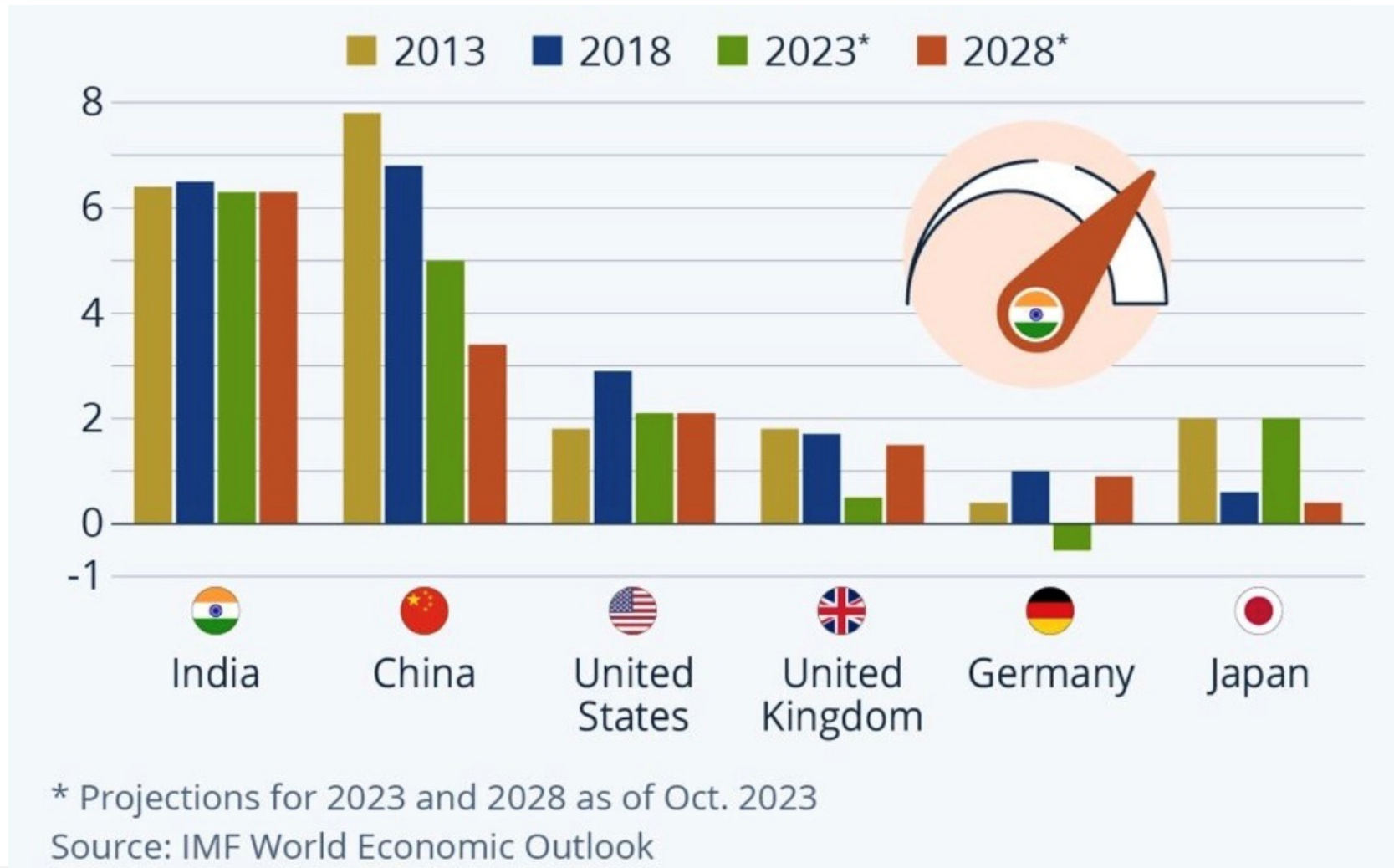
# STORE PENETRATION OF THREE GLOBAL CHAINS

| Country | Population | IKEA             |                               | Starbucks        |                               | Zara             |                               |
|---------|------------|------------------|-------------------------------|------------------|-------------------------------|------------------|-------------------------------|
|         | Millions   | Number of stores | Population millions per store | Number of stores | Population millions per store | Number of stores | Population millions per store |
| India   | 1,400      | 5                | 280.00                        | 270              | 5.19                          | 24               | 58.33                         |
| China   | 1,400      | 36               | 38.89                         | 6,000            | 0.23                          | 303              | 4.62                          |
| USA     | 329        | 55               | 5.98                          | 15,952           | 0.02                          | 99               | 3.32                          |

|                          | Potential |     | Potential |      | Potential |     |
|--------------------------|-----------|-----|-----------|------|-----------|-----|
| <b>IF: India = USA</b>   | 234       | 47X | 67,881    | 251X | 421       | 18X |
| <b>IF: India = China</b> | 36        | 7X  | 6,000     | 22X  | 303       | 13X |

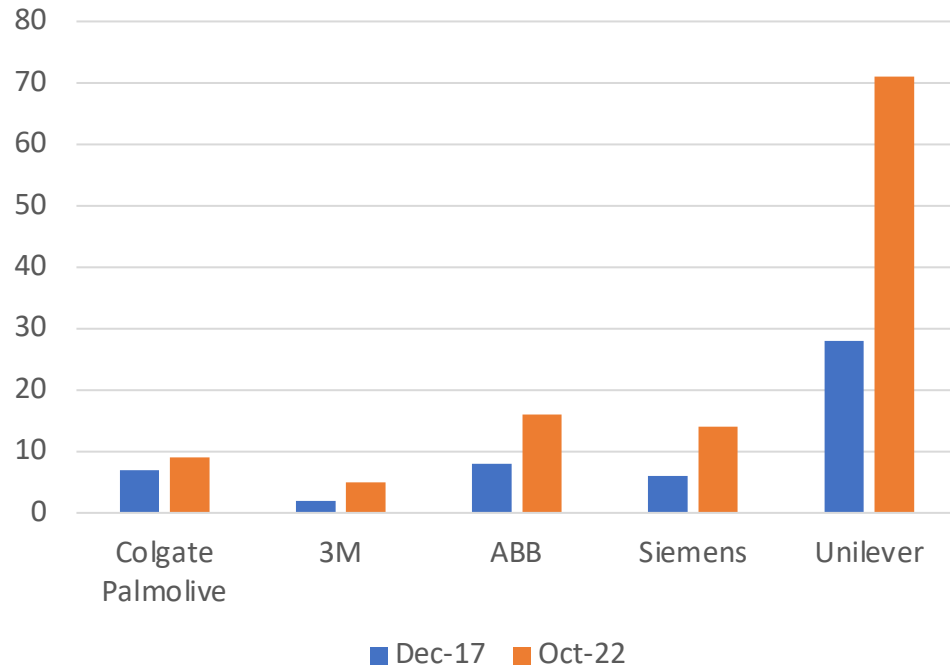
Source: Nirmalya Kumar, Clash: Amazon vs Walmart, Penguin Business, 2024

# ESTIMATED GDP % GROWTH OF LARGEST ECONOMIES

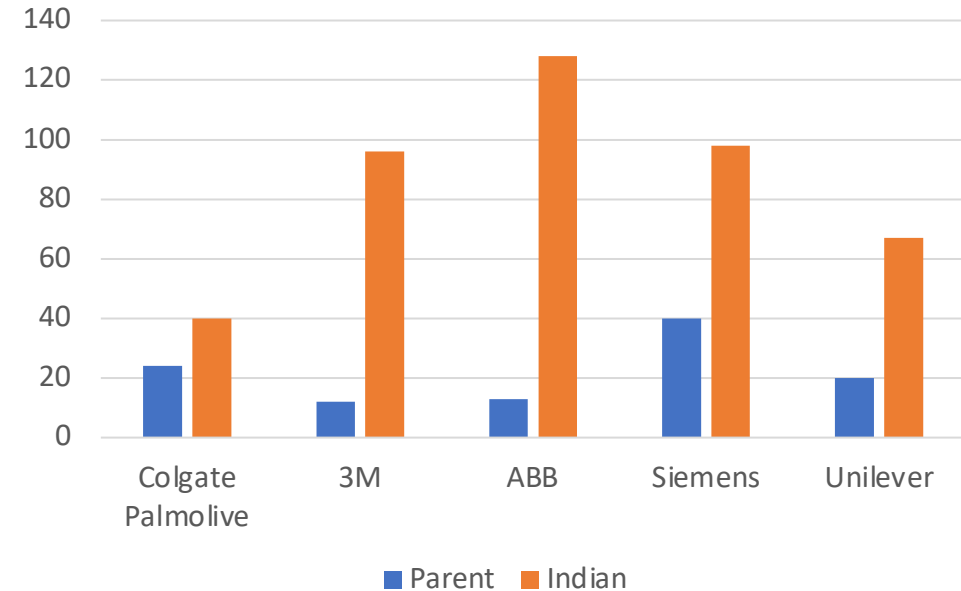


# INDIA PERFORMANCE DIVERGENCE

M-Cap of India as % of Parent Firm



P/E Ratio of Parent Firm vs. India



**HUL (vs Unilever):**

- Revenue 5-year CAGR 9.6% (2.2%)
- Profit to Sales ratio 17% (13%)

**Lessons:**

- Make significant resource commitment to India
- Customize products and services
- Learn the “India Stack”

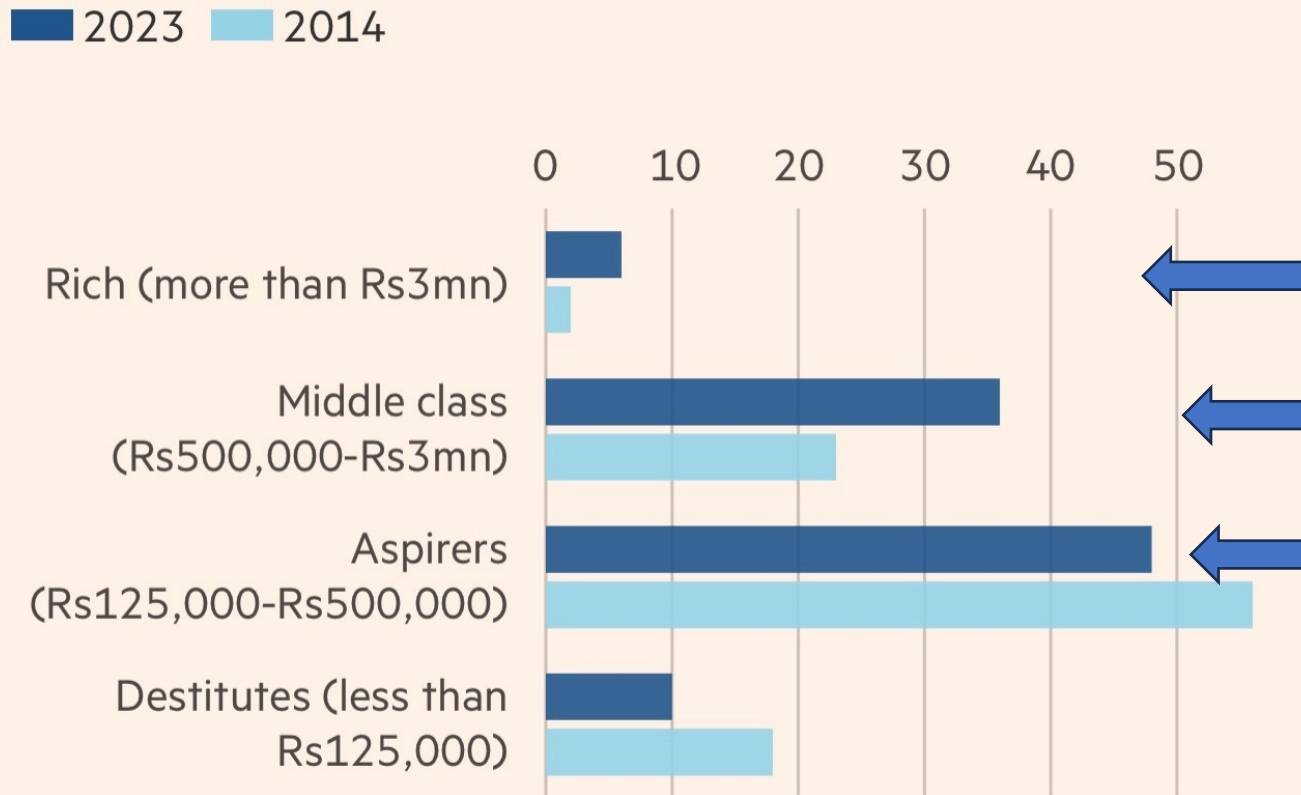
# INDIA: IS IT REALLY THAT BIG A MARKET?

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- Inequality & Size of Middle Class
- Regional Differences
- Constraints



# SIZE OF MIDDLE CLASS



- Per capita income about 2,300\$

- Rs. 3 million about \$36,000

- Rs. 500,000 about \$6,000

- Rs. 125,000 about \$1,500

## Goldman Sachs 2024 report

- 60 million over \$10,000 p.a.
- Will grow to 100 million by 2027
- At 12% CAGR vs 1% population growth

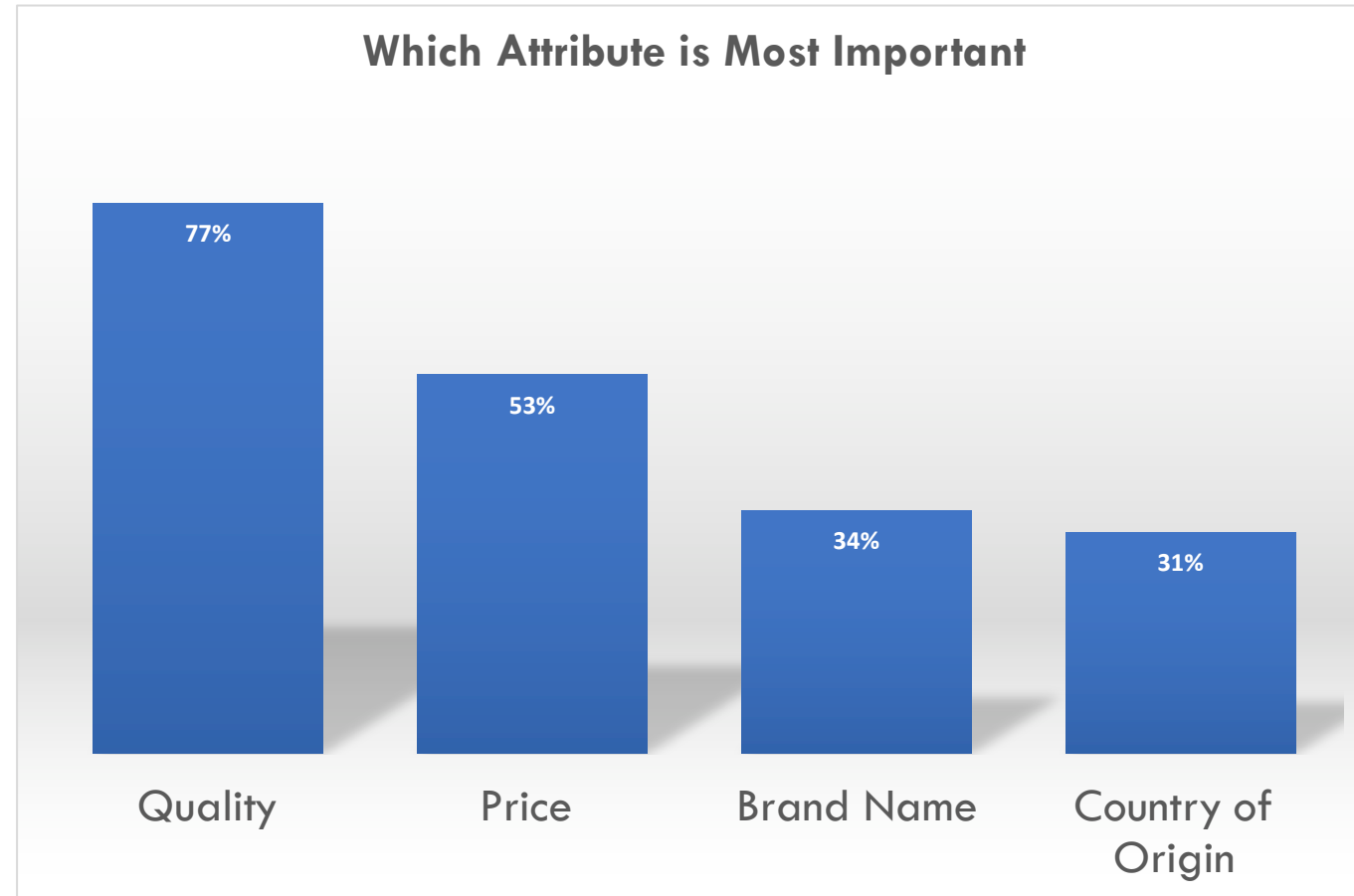
## Brookings report:

- 1.06 billion people entered middle class 2015-22 (380 India & 350 million China)

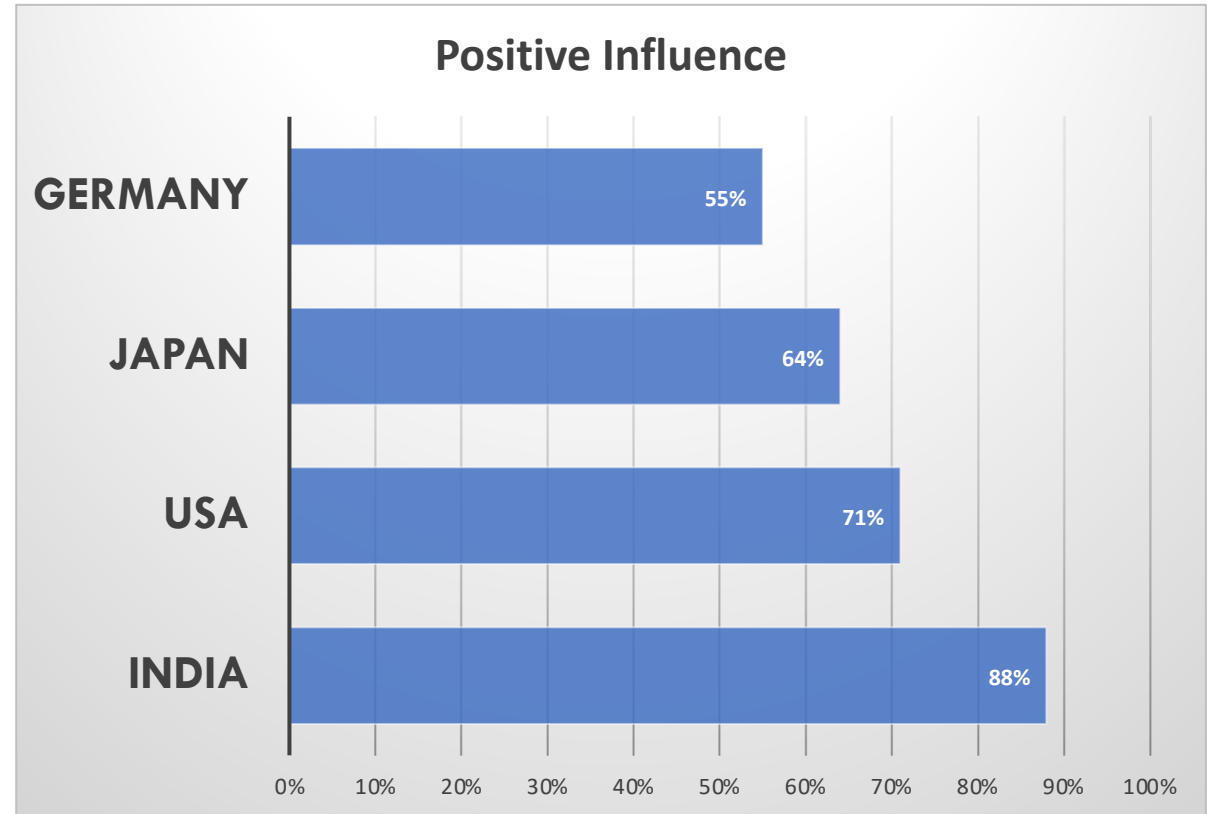
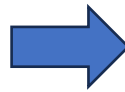
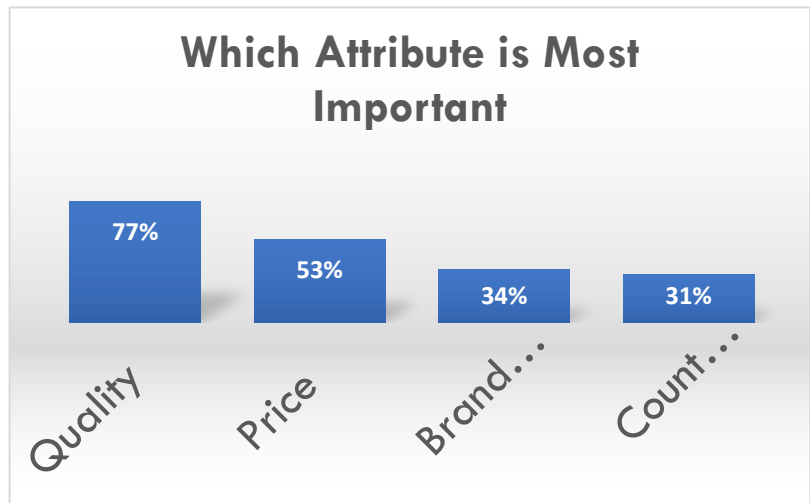
FINANCIAL TIMES

Source: People Research on India's Consumer Economy • Income defined as annual household income at 2020-21 prices

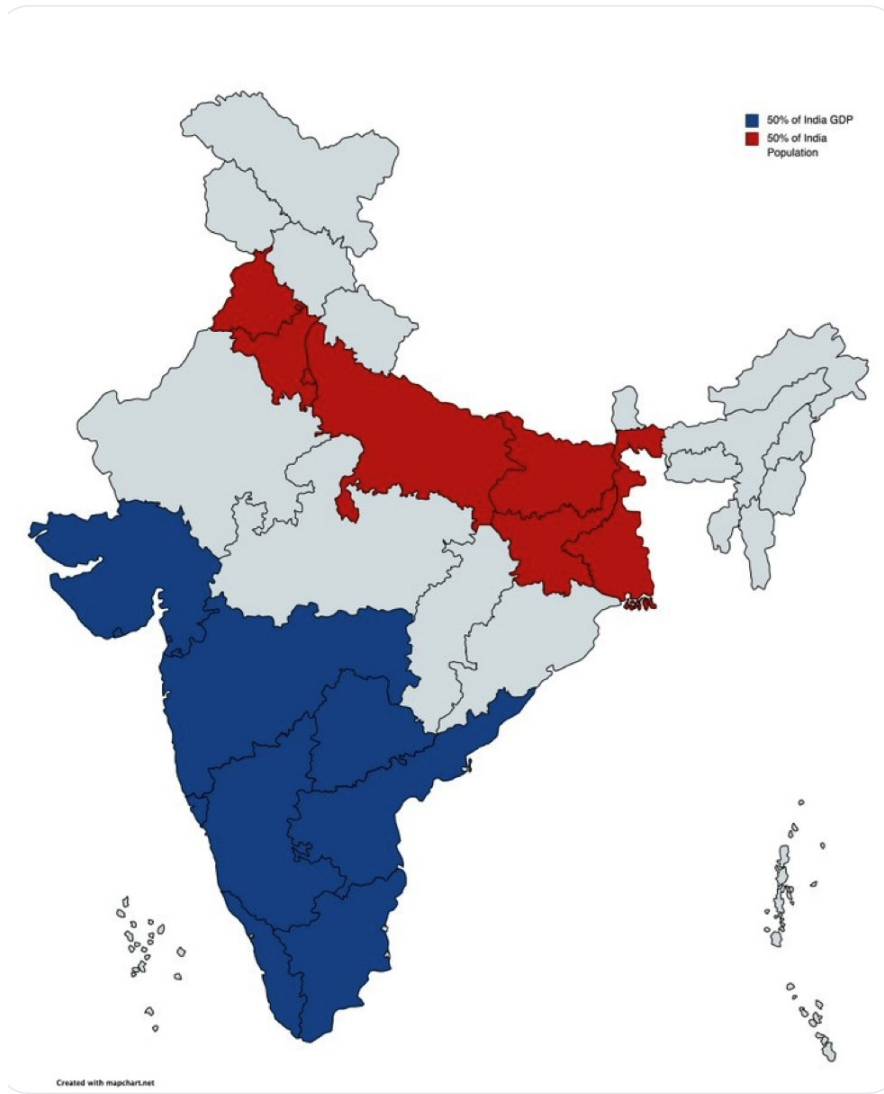
# WHAT MATTERS TO CONSUMERS IN URBAN INDIA



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# REGIONAL DIFFERENCES



| State or Union Territory | Population 2018 millions | Equivalent country | Population Ranking |
|--------------------------|--------------------------|--------------------|--------------------|
| Uttar Pradesh            | 229                      | Brazil             | 5                  |
| Maharashtra              | 121                      | Japan              | 12                 |
| Bihar                    | 119                      | Japan              | 12                 |
| West Bengal              | 98                       | Vietnam            | 15                 |
| Madhya Pradesh           | 82                       | Germany            | 17                 |
| Rajasthan                | 78                       | Turkey             | 20                 |
| Tamil Nadu               | 76                       | Turkey             | 20                 |
| Karnataka                | 66                       | U.K.               | 22                 |
| Gujarat                  | 64                       | France             | 23                 |
| Andhra Pradesh           | 53                       | Myanmar            | 27                 |
| Odisha                   | 45                       | Argentina          | 31                 |
| Telangana                | 38                       | Poland             | 37                 |
| Jharkhand                | 37                       | Canada             | 38                 |
| Kerala                   | 35                       | Morocco            | 41                 |
| Assam                    | 35                       | Saudi Arabia       | 41                 |
| Punjab                   | 30                       | Nepal              | 49                 |
| Chhattisgarh             | 29                       | Yemen              | 51                 |
| Haryana                  | 27                       | Madagascar         | 51                 |
| Delhi                    | 18                       | Kazakhstan         | 64                 |
| Jammu & Kashmir          | 14                       | Guinea             | 75                 |

# CONSTRAINTS

**Tariffs:** WTO India has the fifth highest (behind Sudan, Tunisia, Algeria, and Uganda) import duties globally in 2022 with an average most favored nation rate of 18.1% versus China 7.5%, European Union 5.1%, USA 3.3%

**Retail:** High-end?

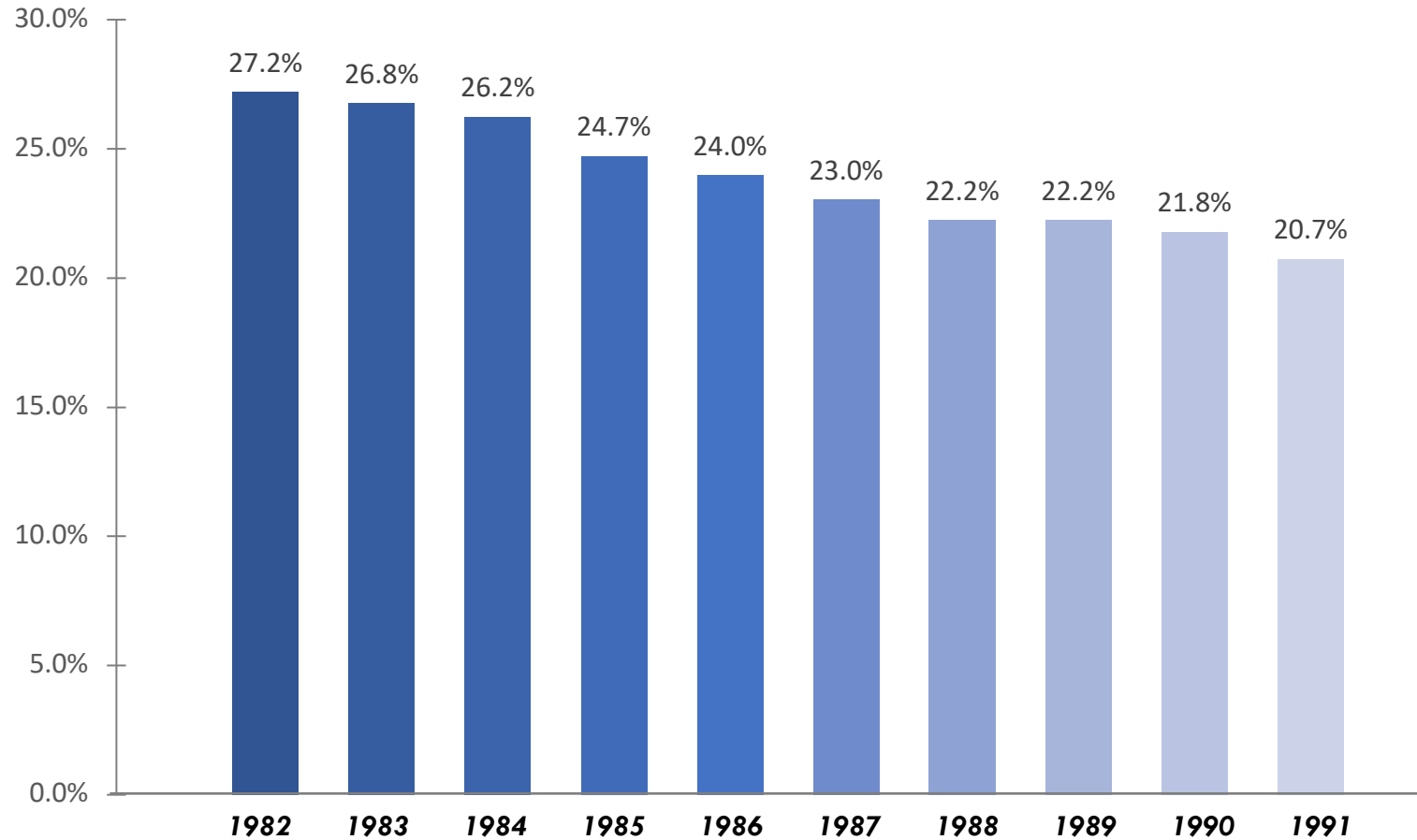
**Infrastructure:** Average speed of freight train has increased 50% over the past two years and wait time at ports has fallen by 80% since 2015

# AGENDA

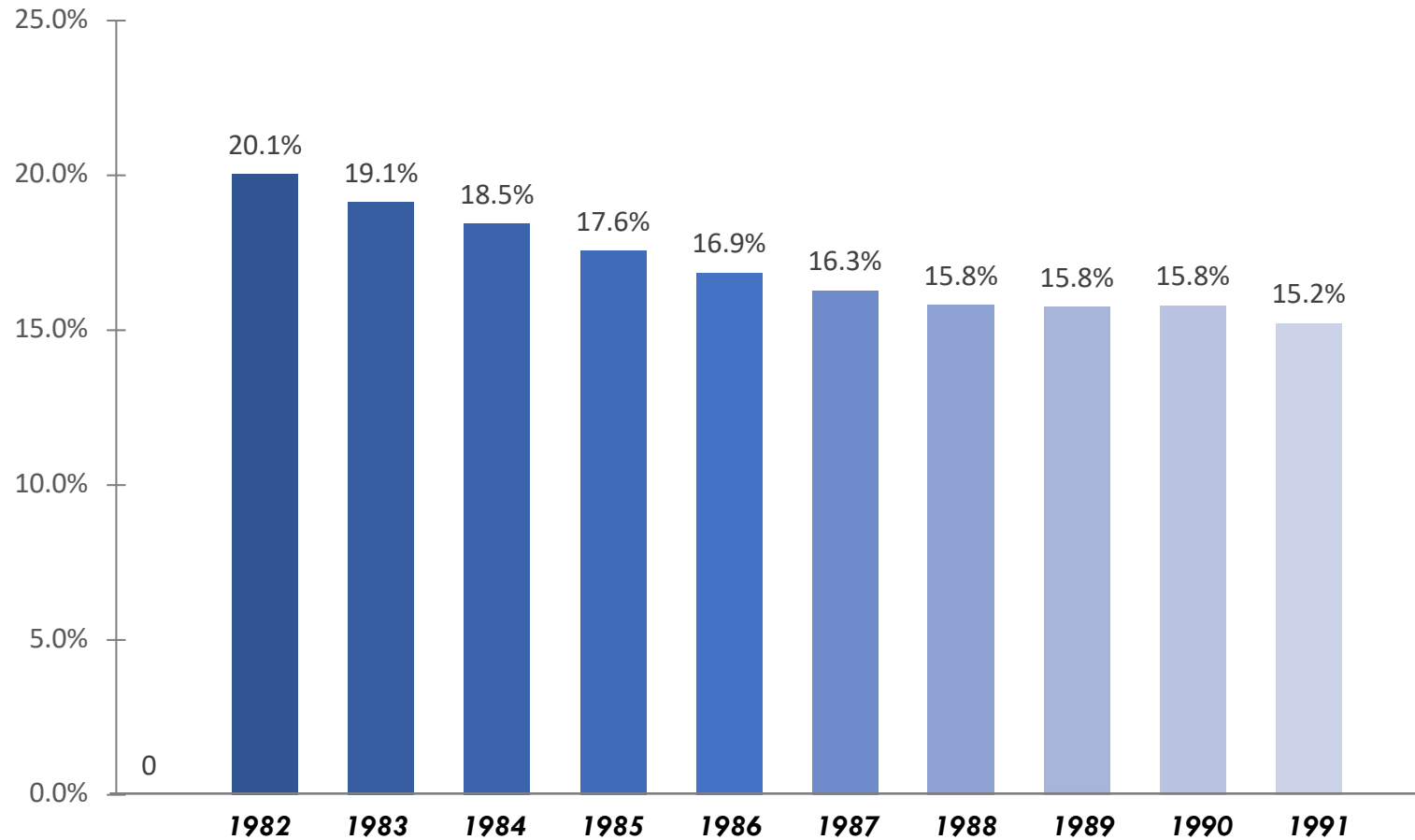
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# WALMART GROSS MARGIN % OF SALES

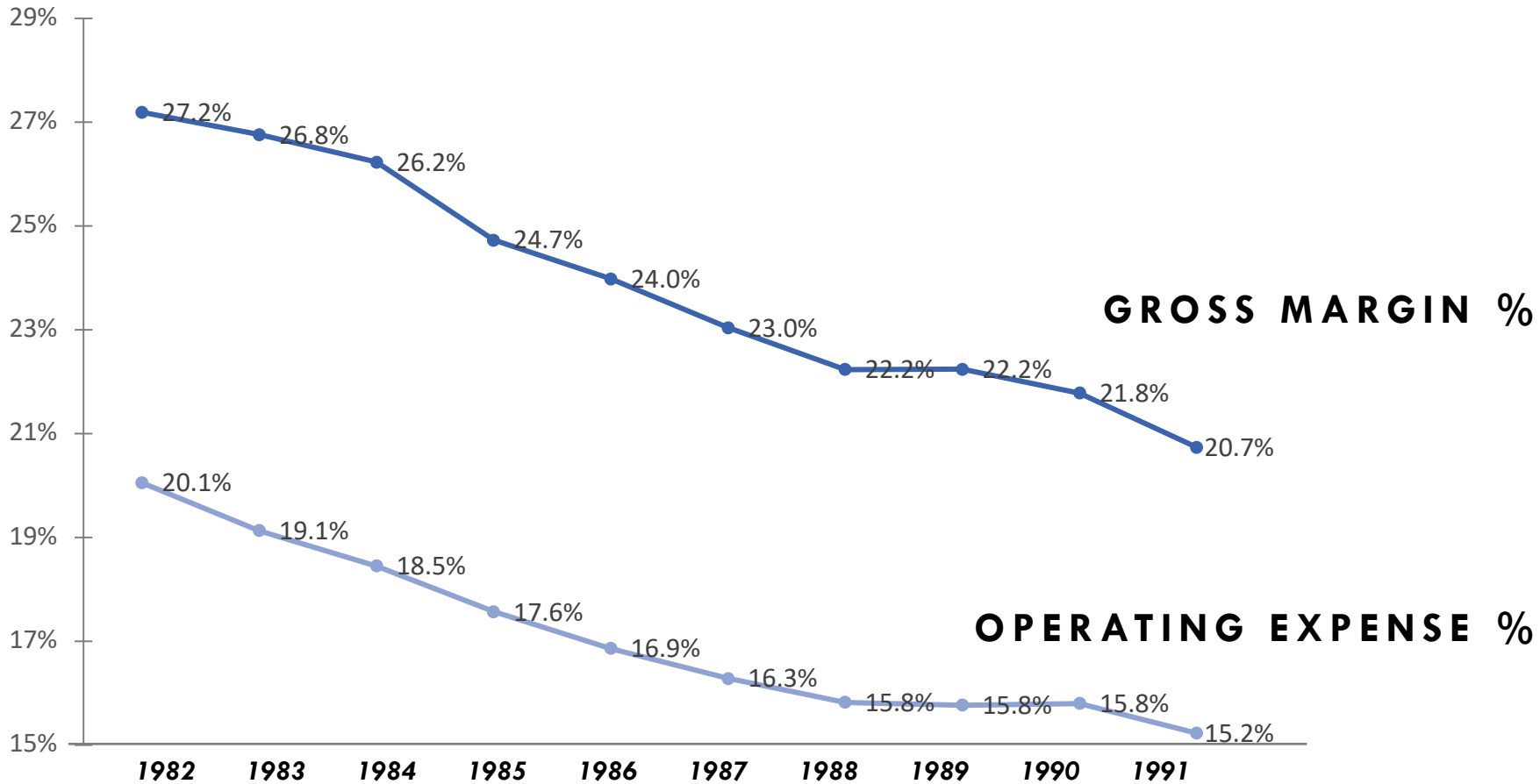


# WALMART OPERATING EXPENSE % OF SALES

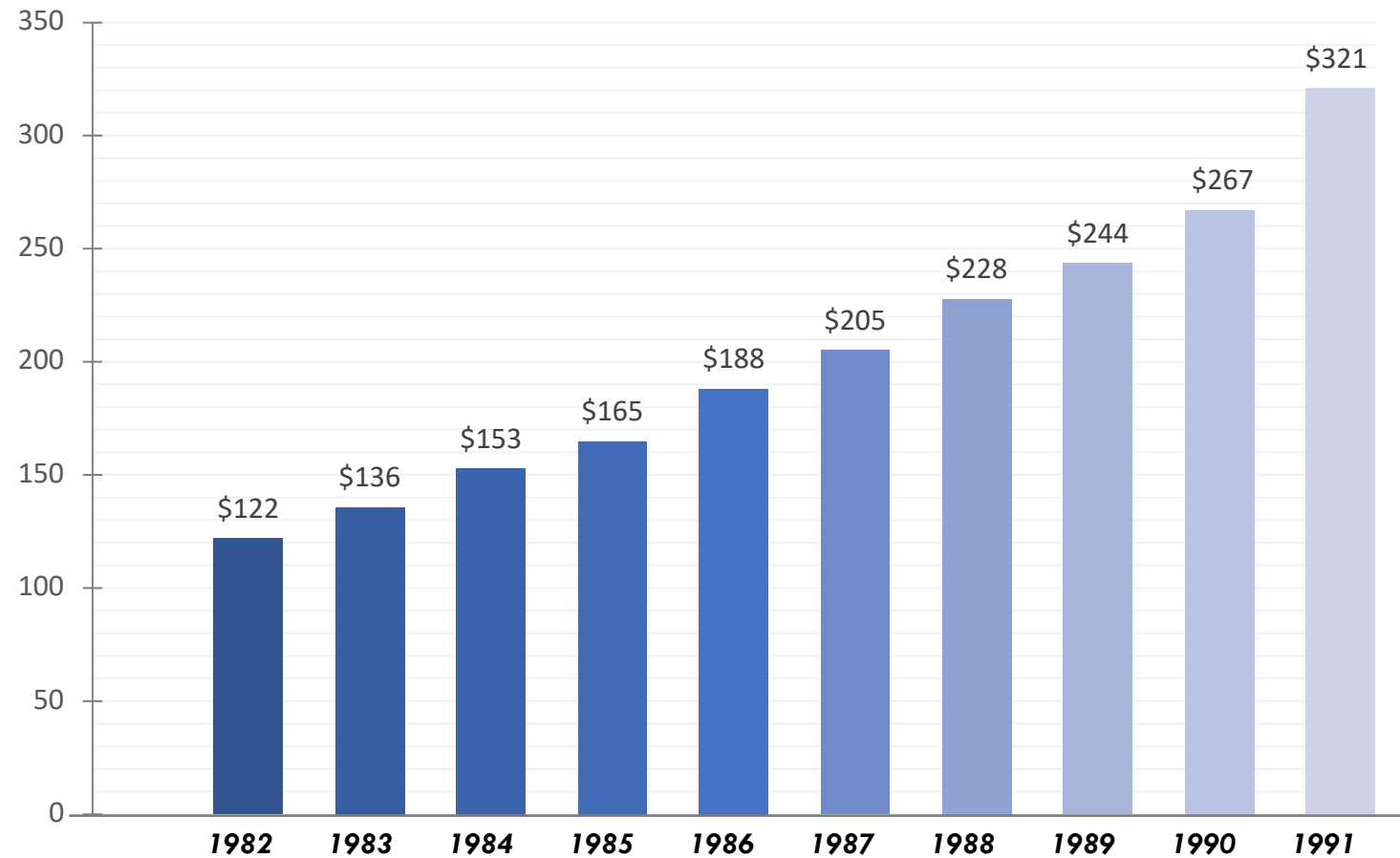




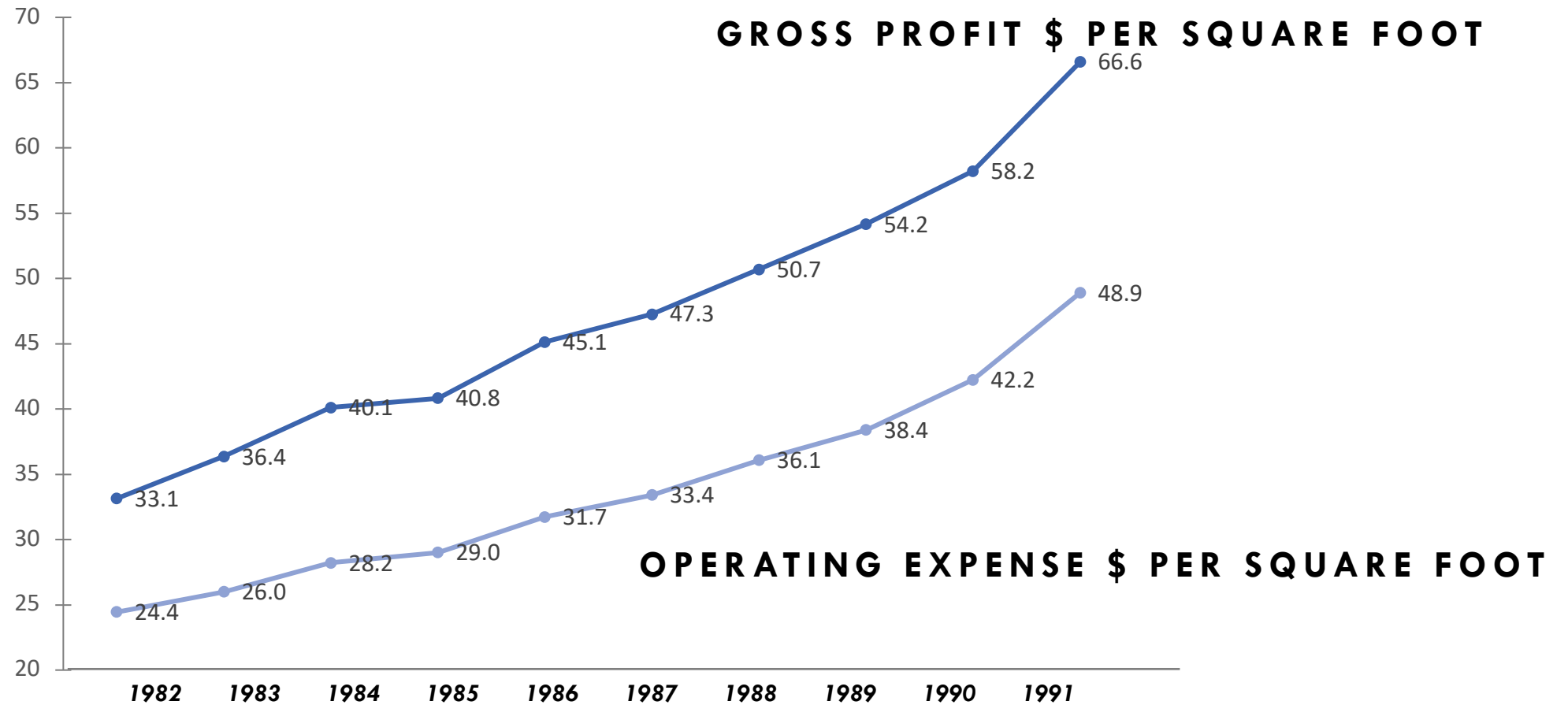
# GROSS MARGIN VS OPERATING EXPENSE % OF SALES



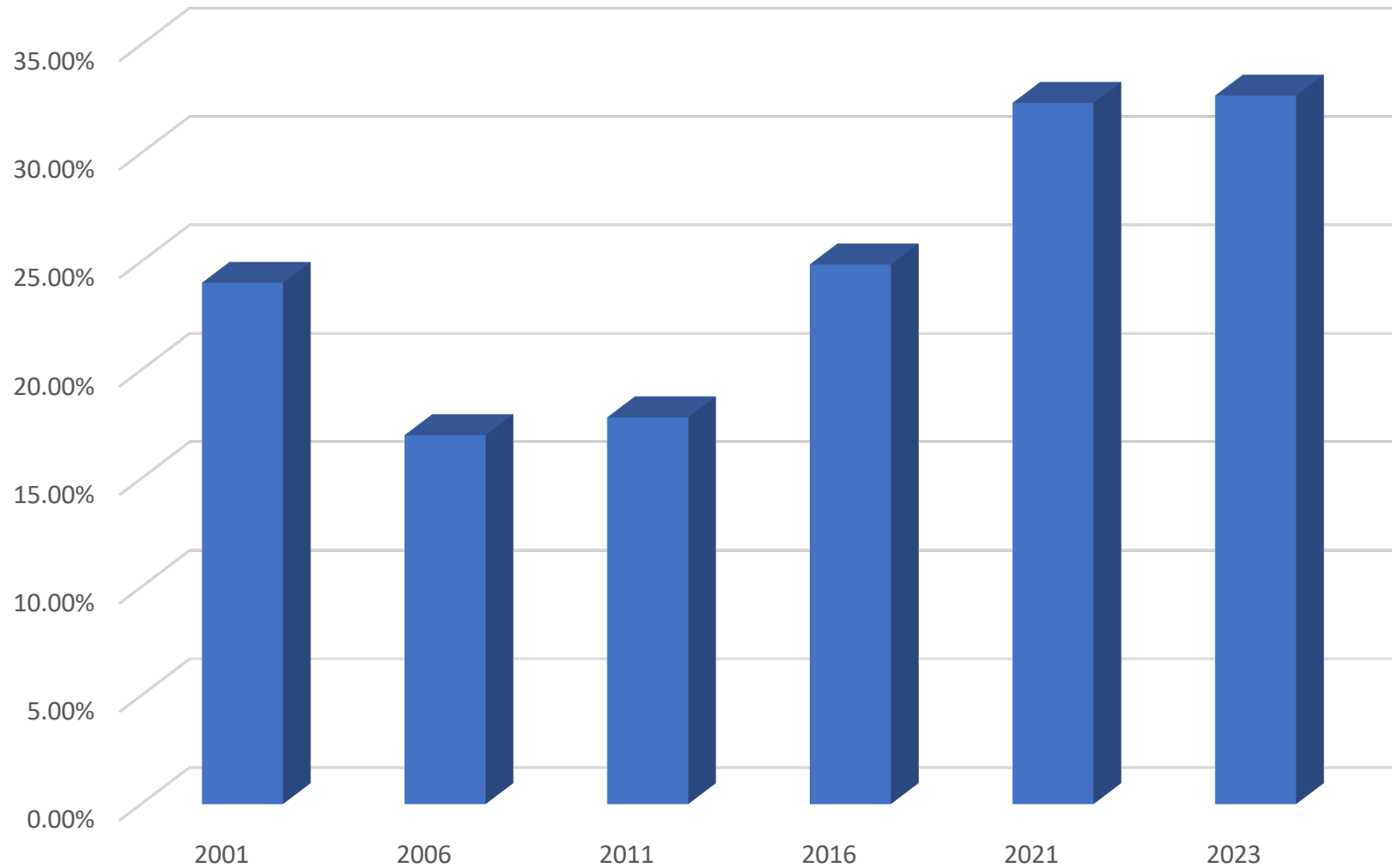
# WALMART SALES \$ PER SQ. FT.



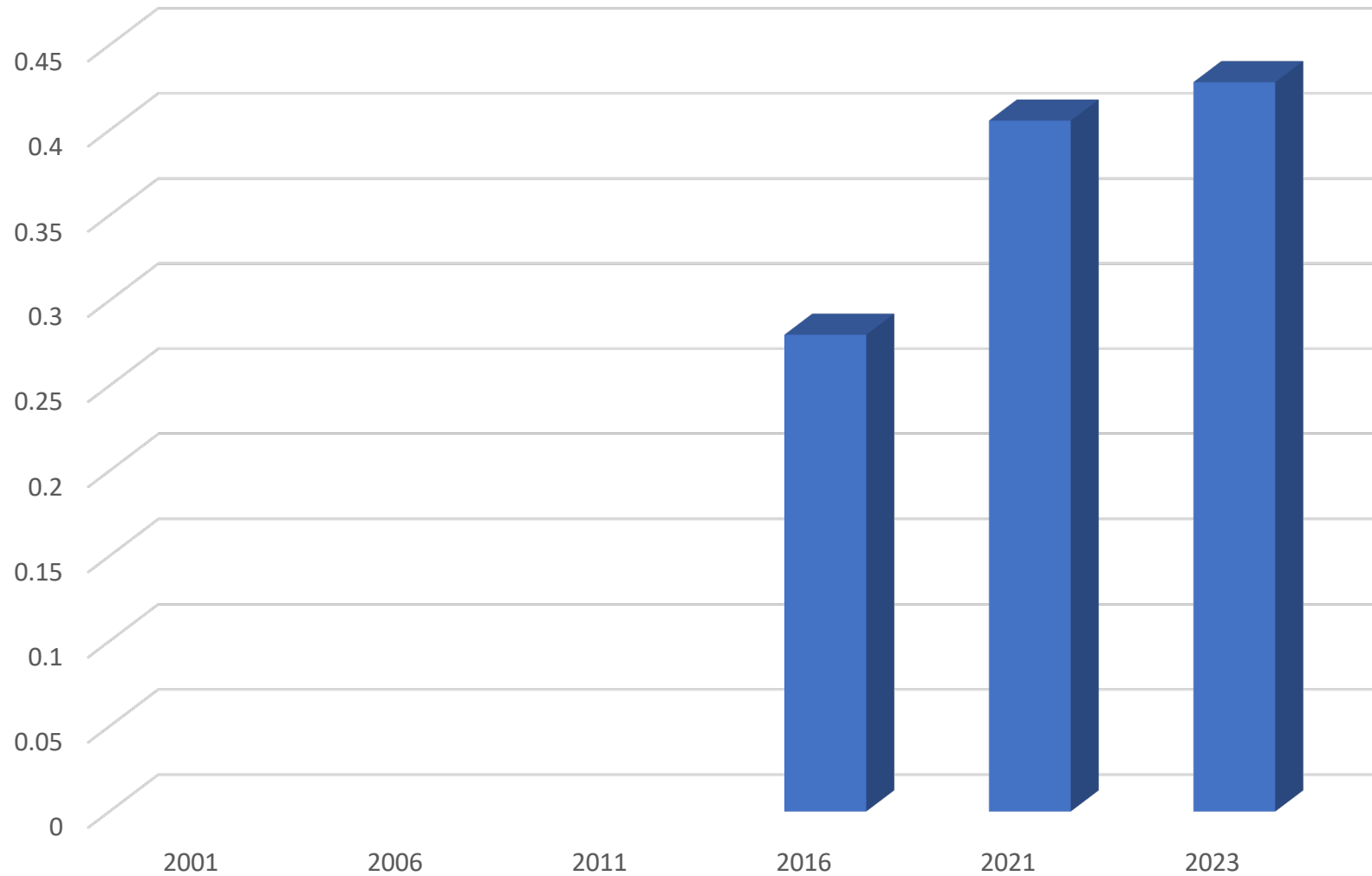
# GROSS MARGIN VS OPERATING EXPENSE \$ PER SQUARE FOOT



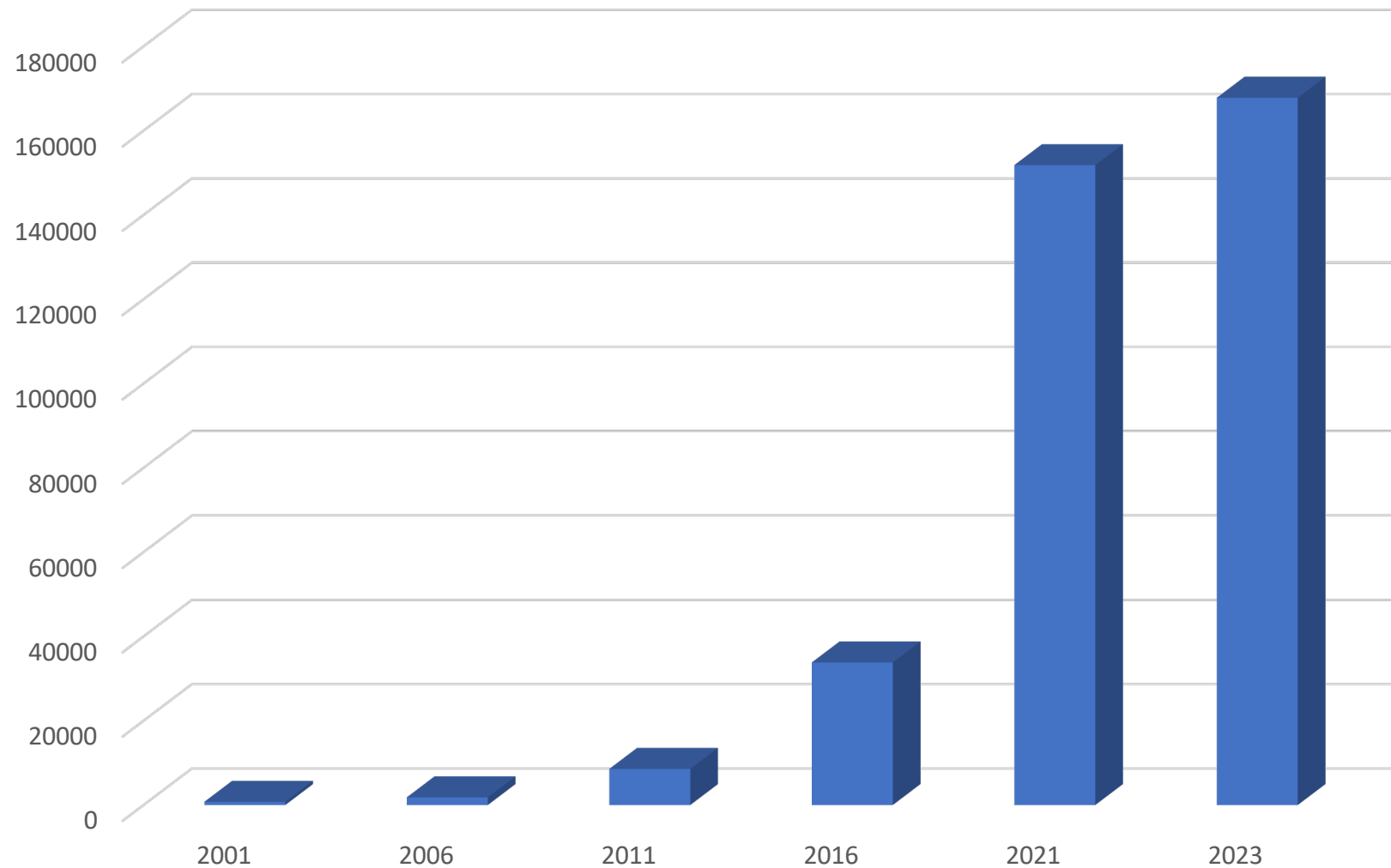
# AMAZON DELIVERY COST % OF TOTAL SALES



# AMAZON DELIVERY COST % OF SALES (-AWS -ADVT)



# AMAZON DELIVERY COST BILLION \$



# AMAZON VS WALMART IN INDIA

## Amazon 2018

- Revenues of \$180 billion
- 5-year CAGR 23.8% p.a. (32.7% previous 5 years)
- Market cap around \$800 billion

## Walmart 2018

- Revenues around \$500 billion
- 5-year CAGR 1.3% p.a. (4.1% previous 5 years)
- Market cap around \$200 billion (unchanged from 2010)

## Walmart India Acquisition 2018

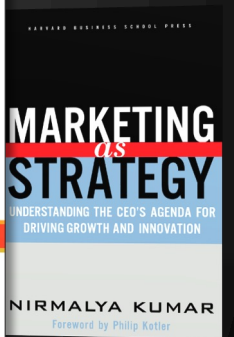
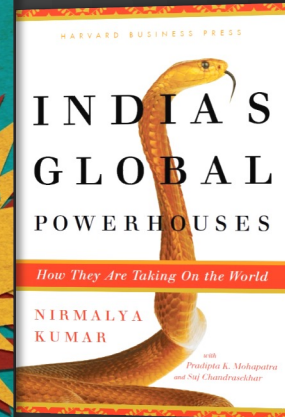
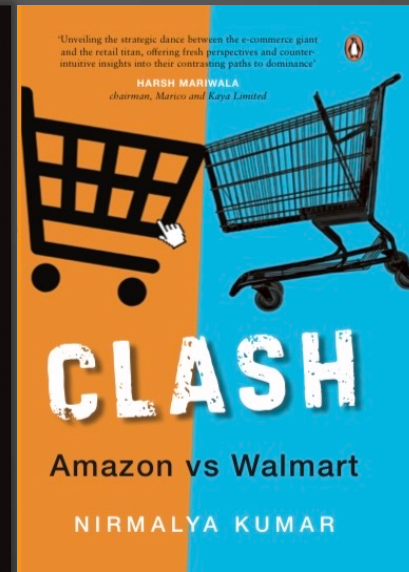
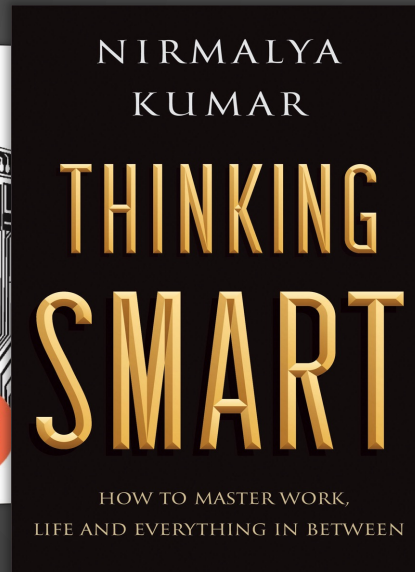
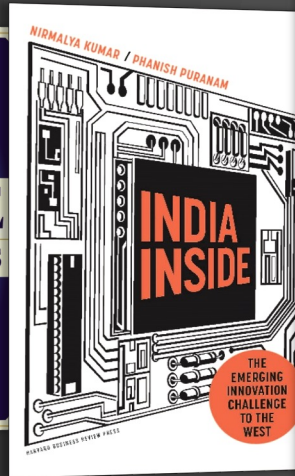
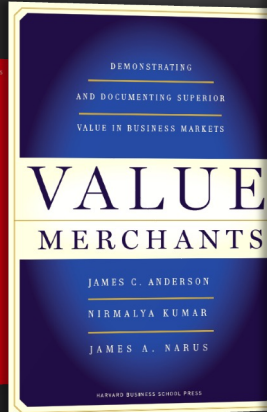
- Acquired 77% of Flipkart with revenue of less than 5 billion for 16 billion plus commitment of \$2 billion in growth capital

## Post Flipkart

- Walmart market cap jumped to \$300 billion by end of 2018 from \$230 at time of acquisition
- Post acquisition respectable ecommerce sales
- Subsequent 5-year CAGR 4.5% p.a.
- 2023 India only market Amazon is number 2 in online sales, Walmart leads



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